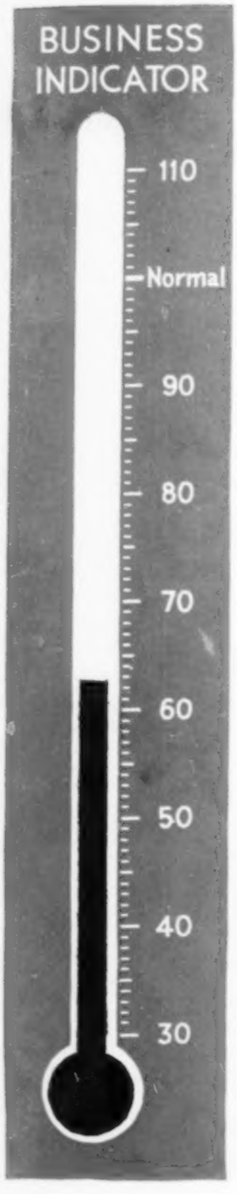
JAN 13, 1932

THE BUSINESS WEEK



Accelerated action by Congress on the Reconstruction Finance Corporation in response to public and presidential pressure, reassuring rumors of better agreement between Britain and France as the reparations conference approaches, early evidence of fairly vigorous reinvestment demand in security markets, and a general lull in output of bad news have helped to lend a more hopeful color to the first week of the new year . . . . Statistical records covering the holiday weeks are of no special significance except as indicating the extreme and expected slackness of year-end activity . . . . Still there is distinct encouragement in continued steadiness in commodity prices, well sustained levels of power production and carloadings, and recent signs that some seasonal rise in steel production is not going to be delayed despite uncertainties of prices and of demand from principal consuming industries . . . . New model automobile output has gained headway and this indefatigable industry is again making its appeal to the starved instincts of a motor hungry American public with irresistibly attractive products, and with inspiring indifference to the stupid assumption that we must go back to a horse and buggy standard of living . . . . The spectacle of confidence, courage, and consideration for the consumer which the annual automobile show supplies, this year especially brings a touch of spring into the air of a troubled and tired world, reminding it that all God's children still want things, will keep on wanting them, and will wangle a way to get them whether economic moralists think they ought to have them or not.

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This Business Week

Washington

STIRRED by the President's urgent plea, and also by vigorous pressure from business men "back home," Congress pushes the Reconstruction Finance Corporation bill with war-time speed and a minimum of politics. (p. 5)

IN general, the Democrats are using conservatively and constructively their newly-won control of the House. Their legislative program is being shaped by national leaders of the party. It envisages a grim effort to balance the budget. (p. 6)

THAT queer tariff bill needs some explaining. Here's the low-down: the Democrats need the tariff issue for the next campaign, yet they don't really want to disturb rates right now, with business so sick and nervous. Hence the "reciprocity" proposal. (p. 7)

Relief

OUT of the quiet testimony poured into the ears of the LaFollette Committee—which seems to have become the Committee to Conduct an Investigation Into the Depression—there arises a conviction that private and local relief will be inadequate, that federal funds (cries of "Dole! Dole!") will be needed to cope with the emergency. (p. 7)

PERHAPS to choke off these cries, plans to put out a big popular bond issue, to be used for public works, are receiving major support in Washington. Also, Congress will want to do something directly for labor if, when, and as, it does something for business and banking. (p. 8)

Labor

"TECHNOLOGICAL unemployment" is the long name meaning short shrift for the worker who is replaced by labor-saving machinery, or—right now—labor-saving management. (p. 27)

ANOTHER search party, this time in Europe, finds that low wages simply mean low standards of living and low purchasing power. (p. 28)

DEPRESSIONS are terribly expensive—but very effective—balance wheels. This one is changing the traditional division of business income so that labor gets an increasing share. (p. 27)

Marketing

CHRISTMAS shoppers kept up the American standard of giving; holiday sales show an increase in units sold along with the expected drop in dollar volume. (p. 9)

FURNITURE makers, showing their wares in Chicago, are guaranteeing prices to encourage buying confidence. (p. 10) Macy's looked before it leaped into January markdowns, asked 20,000 women what they wanted. (p. 9) General Foods and Gold Dust, competitors in mayonnaise, have pooled buying and distribution. (p. 10)

Music

APPARENTLY to satisfy a desire for music, personally produced, people are buying pianos. Astonished makers see a renaissance. (p. 11)

Finance

MUCH of the confused thinking, in Washington and Wall St., about inflation, is due to a lack of understanding of its applications. Here is how it works and how it comes about. (p. 22)

BANKRUPTCIES, blamed on the times, turn out under closer scrutiny to be the inevitable results of plain old-fashioned business ignorance. (p. 13)

Foreign

BRITAIN talks of an "empire currency," but the Dominions will be loath to relinquish their national financial status, even to realize the vision of economic empire. (p. 29)

GERMANY, having reduced prices to balance wages, is now engaged in cutting interest charges. (p. 30) German gasoline production is being tripled. (p. 28)

Railroads

CONGRESS, prompted by the I.C.C. report, is due to discuss federal control of interstate trucks and buses, but is unlikely to act until after elections. (p. 16)

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending January 9, 1932

Persuaded Emergency Exists, Congress Rushes Financial Aid

President's message and pressure from business men push Reconstruction Corporation bill swiftly ahead

WASHINGTON—Congress has accepted in good faith the President's insistence that a financial emergency calls for haste, and the bill setting up the Reconstruction Finance Corporation moved ahead with a speed reminiscent of war-time.

Both President and Congress were stirred by great pressure from bankers, life insurance officials, railroad executives, and business men of weight and influence in home constituencies.

Over the week-end, the critical state of financial institutions was laid before the President and he was implored to do whatever he could to hurry his relief measures. That was the reason for his extraordinary message with its underlying note of alarm. Simultaneously business men bore down upon individual members of House and Senate, urging speed and more speed.

Gathering Clouds

The evidence of a gathering storm was plain enough. Trained analysts of currency figures could read beneath seasonal fluctuations plain evidence that hoarding was under way again (page 37). Bank failures increased alarmingly, every one of them increasing the strain on surviving banks. Life insurance executives pointed out that the public must be reassured quickly of the ability of railroads to pay interest on the insurance companies' vast holdings of rail bonds. The bad bond market, it was pointed out, was shaking the foundations of financial security for all institutions.

All appeals urged that there be no such delay as robbed the June moratorium of its promising effects.

Congress was convinced, as strikingly shown when both Democratic and Republican members of the Senate committee endeavored to dissuade Blaine of Wisconsin from acting as the lone obstructionist. Blaine's objection held up the measure one day. He prevented a unanimous consent agreement to lay aside the rule which requires committee reports to lie over a day.

Three important changes were made in the Banking and Currency Committee of the Senate.

The most important prevented the Emergency Corporation debentures' being made eligible for rediscount through the Federal Reserve system. This change was made at the insistence of Senators Glass, of Virginia, and Bulkley, of Ohio, who are determined to prevent "tampering" with the Reserve system, and to avoid processes which might lead to inflation.

Administration and Reserve Board officials professed not to be much disturbed by this change, especially as the Reserve banks and the Treasury will be able to purchase these debentures. There is no disguising the fact, however, that the amendment seriously affects the powers of the corporation, which somehow or other must dip into Federal Reserve credit in order to do a real job. It is to have a half billion capital, from the Treasury, is to sell $1,500,000,000 in debentures. Somebody must buy these debentures. The banks could have done so, had they been able to rediscount them immediately with the Federal Reserve. Sold in the open market they will, instead of creating new credit, absorb much of that which now exists.

Board Enlarged

A second change enlarged the board of the new corporation from 5 to 7. This makes 2 additional members from "outside" the government. As approved by the Senate Banking and Currency Committee, the board will consist of the Secretary of the Treasury, the Governor of the Federal Reserve Board, the Farm Loan Commissioner, and 4 members to be appointed by the President.

This change tends slightly to make the board more unwieldy, but takes it from under "ex-officio" control. Some Treasury officials not only accepted it, but rather favored it for that reason.

The third change was purely political. It provided that not more than 4 members of the 7 should be of one political party. As the 3 ex-officio members are all Republicans, this amendment would permit only one of the 4 additional members appointed by the President to be a Republican!

Annoying and Petty

This change was heartily disapproved both by the President and the Treasury. It limits the President sharply in his selections of the men to serve. No political question is involved in the board's functions. Furthermore, the salary of a board member is to be $12,000 and no man not capable of commanding $100,000 a year would be considered big enough for the job, so these places are scarcely political plums.

There were two motives in forcing this amendment. One was to assure Democratic senators that they would have a share in the distribution of the jobs under the Reconstruction Corporation. The other was to prevent domination by Mellon and Meyer.

Every possible concession that would

What Congress Did

The Senate:

Adopted Capper (Kan.) resolution for free distribution of 40,000,000 bu. of government-owned wheat.

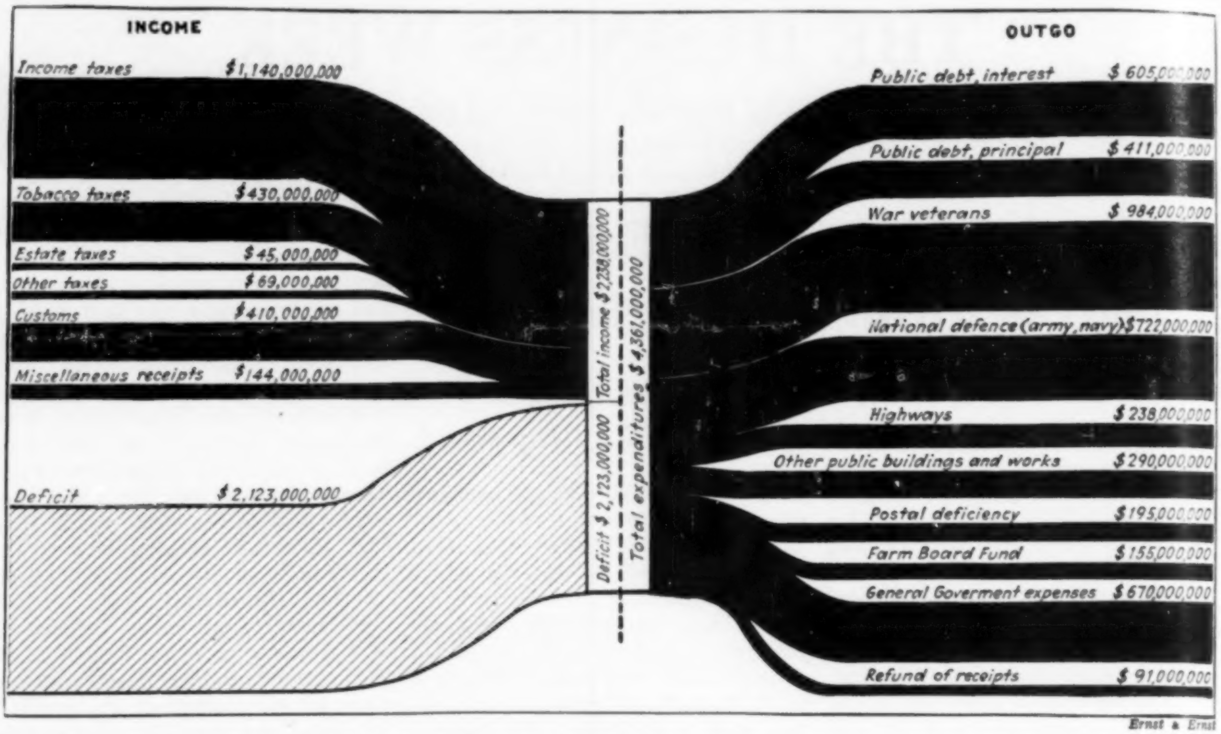
Passed Dill (Wash.) bill vesting entire control of radio in Federal Radio Commission.

Adopted Norris (Neb.) "lame duck" resolution starting President's and Vice-President's terms Jan. 15, Senators' and Representatives' Jan. 2.

The House:

Passed $126,000,000 first deficiency appropriation bill, a reduction of $13,000,000 in the amount carried in the budget.

Adopted resolution appropriating further funds for appeal of George Otis Smith (Federal Power Commission) case involving conflict of legislative and executive authority.



THE HIGH COST OF GOVERNMENT—*The budget for the fiscal year ending June 30, 1932. The cost of wars, past and potential, represents almost two-thirds of the total. Government expenditures are nearly double government income.*

avoid debate on the floor—and therefore delay—was made. For the same reason every proposal which would clutter up the situation was opposed. As for instance the suggestion that this corporation should make loans to failed banks was countered by a proposal that this should be provided in a separate bill. On the whole, the affair showed Congress at its best.

Democrats Agree to Make Budget Balance and Taxes Retroactive

THE Democrats are really functioning, with something approaching unity of control, and are acting on intelligent advice. National leaders of the party and the leaders in Congress have virtually agreed upon a program of legislation.

First and foremost, they propose to balance the budget. It is agreed that income taxes shall be increased, and shall be applied to 1931 incomes. It is also fairly well settled that the capital gains tax shall be eliminated, and this move likewise be made retroactive.

Appropriations to departments will be cut to the bone—even the relatively small Army appropriation. Government workers' pay also is to be cut in their program.

New York advisors (of all people!) are suggesting heavier taxes on stock sales. It is to be noted that certain New York voices carry a lot of authority in the party councils just now. It was New Yorkers who "sold" the economy idea so well.

They point out that of course the government must sell more bonds—and government issues have slumped badly. They firmly believe that if Congress will cut appropriations within income, not only will present issues snap back, but also there will be a satisfactory market for the necessary new financing.

"If you balance the budget, anyone can head the Emergency Reconstruction Corporation and make it go," one New Yorker told Garner, Byrns and Rainey. "If you do not balance the budget, no one can make it go. It will just be pouring money down a rat hole."

The idea in cutting government salaries, including pay of Congress, is that it will have a strong moral effect. For one thing, it may sober somewhat the clamant grabbers for pork. It may even take a little steam out of the pressure for government aid to the unemployed.

All in all, Congress is behaving very well so far. Speaker Garner is proving abler than many members had supposed. Rainey, Democratic leader, is showing up very well, and so is Byrns, chairman of Appropriations in the House.

But of course the real test will not come until the bills are up that embody pork and government aid. Imagine the poor congressman, then—on the one side, patriotism and his desire for a good record of thrifty, sound management for his party to take to the polls; tugging the other way, the home folks clamoring for some federal money to be spent, making local business, jobs, profits, and fees.

It is good Democratic politics to be conservative and helpful in the emergency. The "policies committee" (the joint House and Senate unofficial body) has decided upon such a course and the leaders are delighted with the public reaction that already has appeared. They count on even more public approbation as their program develops.

It is also good Republican politics to help the Administration; how else can

they hope to win next fall's election? But all this mixture of idealism and sound politics may not be able to stand much pressure from the folks back home who want a local appropriation.

Queer Tariff Bill Just Political Move

THEIR stand on the tariff was another evidence of the conservatism of the Democrats, though Representative Collier's "innocent" attempt to push his bill through the Ways and Means Committee after only 24-hours' notice of hearings was not exactly conservative.

They were anxious to avoid tinkering with the tariff, which might upset business still further. But they were also anxious not to surrender the advantage in public sentiment they all agree they have gained by their attacks on the tariff —with extraordinarily clever publicity —in the last two and a half years.

So they charge that tariff barriers are the chief obstacle to returning world prosperity, and propose that instead of this country's revising its tariffs in accordance with former Democratic ideas, the changes be brought about by reciprocal agreements.

Provision for these in the Democrats' bill will be left; on second thought, to the treaty-making body, the Senate. House leaders got cold feet when reminded of our most-favored-nation treaties; thought these might call for the extension to 26 countries of concessions negotiated with any one of them. However, since concessions could conceivably be confined to each country's "specialties," the difficulty is not so great.

Nobody in Washington really expects much action about these reciprocal agreements though industries hit by retaliatory tariffs—automotive, particularly—are highly interested in the possibilities.

For one thing, reciprocity tacked to a bill which, like this one, passes over to Congress the President's powers to adjust duties on the basis of Tariff Commission findings, is certain to encounter a veto. And no Democratic leader claims sufficient votes to get by a veto.

Washington Weighs the Evidence Of Breakdown in Local Relief

Revised reports on adequacy of city funds brings new recruits to cause of federal aid for unemployed

DIRECT federal relief now looms larger than ever in the unemployment picture, despite Presidential disapproval and despite the first over-optimistic reports on the success of local campaigns.

Later data on the alarming extent of nation-wide relief deficiencies such as have been brought out in the last week or two in hearings on relief bills sponsored by Senators Costigan and La Follette, have enlisted new recruits in the cause of federal aid. Among the latest to change their views in this direction are the American Federation of Labor, the National Catholic Welfare Conference, and the Association of Community Chests and Councils—the latter unofficially, through the personal opinion of its executive director, Allen T. Burns.

Cities in Despair

Mr. Burns asserts that private relief will be wholly inadequate. He doubts that public funds from state and local sources will meet the deficiency, looks to federal aid as the last resort.

Relief demands upon community chests will be 4 times those of 1928, he said, but contributions are only 25% more. About $100 millions will be raised by community chests but only $37 millions will be available for direct home relief.

New York Conditions

Speaking for the wealthiest city in the country, where, if anywhere, needs should be met locally, William Hodson, executive director of its welfare council, stated at the Washington hearings that New York has 800,000 unemployed, including thousands of white collar workers who never before have known want. At least 250,000 Gotham families are receiving aid or are in need of it. During the year ending Sept. 30, 1931, the city spent $12 millions for relief; estimated minimum needs for the current year are $70 millions, half of which is not in sight.

Edward F. McGrady, legislative representative of the A. F. of L., predicted 7½ millions unemployed in January—an increase of 5 millions since 1929. Wage earners, he said, have lost $11 billions of their 1929 incomes; salaried workers, $7 to $9 billions more. He sharply criticized industries which have cut wages below minimum existence levels but have maintained dividends.

Similarly depressing views were set forth by Dr. Sidney E. Goldstein, of the Joint Committee on Unemployment, who declared that no community has enough resources, under present tax systems, to meet this winter's relief needs. Samuel A. Goldsmith, executive director, Jewish Charities of Chicago, pointed to the "deplorable" condition of that city's finances, said there are 100,000 Chicago families existing on charity, that the city will need at least $25 millions for relief during 1932.

No Adequate Knowledge

Paul U. Kellogg, editor *The Survey Graphic*, charged, "We shall enter 1932 without any adequate appraisal by any national, public, or private body of our needs and resources."

Linton B. Swift, executive director, Family Welfare Association of America, estimates relief agencies will require an average increase of 61% over 1930 to meet needs.

Jacob Billikopf, executive director Jewish Charities, says that Philadelphia has reached its limit and the city is bankrupt. The state legislature has defeated Governor Pinchot's proposal for $120 millions for relief, has authorized $18 millions, only 8 to Philadelphia.

Frank Bane, director American Association of Public Welfare Officials, reported that a countrywide survey indicates that relief prospects are fairly good in not over 10 states—excellent in none. Specifically: Connecticut has a good state relief organization, but 35 of its 169 towns are in serious trouble; Illinois has bad conditions in Chicago, in the mining districts, in Danville and East St. Louis. New Jersey has state aid available but conditions in Hoboken are particularly bad; in Pennsylvania the soft coal slump and banking failures make conditions serious; there has been a 60% increase in Philadelphia unemployed.

Two Bills Introduced

Senators Costigan and LaFollette have introduced bills appropriating $375 millions over a 2-year period and $250 millions for immediate relief.

Despite the political complex over the word "dole" which by some cerebral legerdemain limits its meaning to federal gratuities alone, there is no likelihood that people will be permitted to starve in large numbers this winter.

Powerful Forces Join Issue On Construction As Job Relief

Clash of opinion greets report of President's committee decrying use of bonds for public program

A FEDERAL bond issue to be used for expansion of public and semi-public construction activities as a direct unemployment relief measure is being actively pushed in Congress. It is receiving strong support from liberals and social leaders who believe that available relief resources are inadequate, almost equally strong opposition from those who appreciate the fiscal position of the government and desire to make no further demands upon it.

Chief interest is centered in Senator LaFollette's bill for a $5½-billion bond issue at 4½% interest, to mature in 10 years and to be issued in $50 denominations for popular subscription. He proposes 4 main uses for the sum: (1) $650 millions for expansion of federal construction; (2) $1 billion for further aid to state construction; (3) $3,750 millions for loans to states and local authorities to enlarge their program, which provide 90% of the country's public works; $100 millions for limited dividend corporations organized to construct houses for workers in low-income groups.

Sees Urgent Need

The senator asserts that, with 7 millions unemployed and 5 millions more working part time, drastic and immediate measures are required to prevent national paralysis. He maintains that expenditure of $5½ billions would give direct employment to 1½ millions and indirectly to twice that many.

Blaming the $18-billion loss in wage and salary incomes during 1931 as a chief cause of business failures, the senator maintains that restoration of part of this loss, at least, is essential to quick recovery and that a huge federal bond issue is the quicket and most effective way of doing it.

Opposition to the proposal will take its lead from the recent report of the Federal Public Works Committee of the President's Organization on Unemployment Relief which asserts that public construction programs are virtually useless as relief measures. Forging a new path in construction economics, the committee finds that because of the world-wide extent of the depression, local remedies would be futile; that construction programs have little effect outside the construction industry; that a federal bond issue would destroy security values, cause bank failures, impair markets for all government securities, cause high rates for business money.

Despite the apparent ability of the committee, these unusual conclusions are scouted by most construction authorities and are in direct opposition to results observed from the expanded construction programs of the past year. And they are diametrically opposed to the President's views of a few years ago.

In 1928 at a governors conference at New Orleans, Governor Brewster of Maine, official spokesman at the meeting for President-elect Hoover, said in illustrating what Mr. Hoover would do in the face of depression: "Picture the approach of an economic crisis, with unemployment threatening on every hand. The release of $3 billions in construction contracts by public and quasi-public authorities would remedy or ameliorate the situation in the twinkling of an eye."

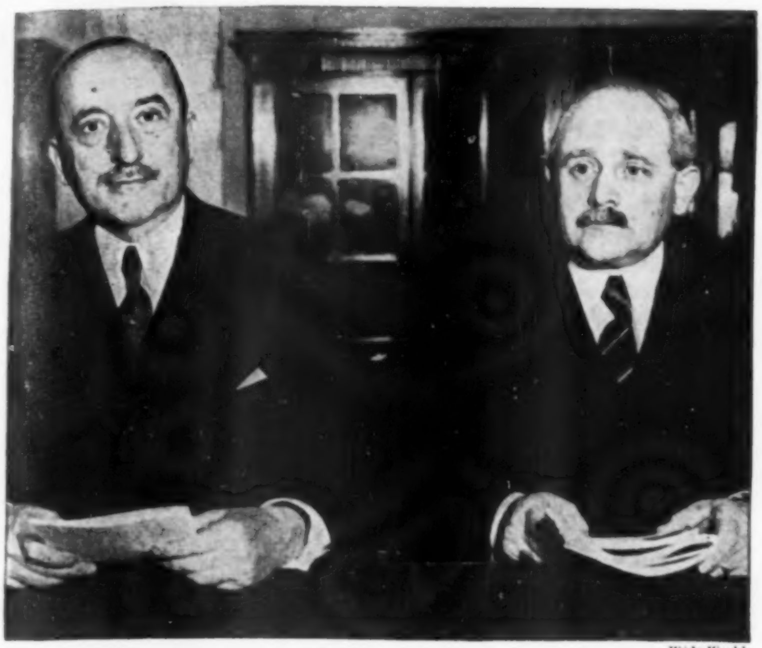
Excepting the "twinkling of an eye," this statement is still true in the opinion of most informed construction men. While only $3 billions might have been needed to avert disaster, now that it is upon us Senator LaFollette believes $5½ billions are required to pull us out of our hole.

Some Business Men Agree

Such a shrewd political observer as Mark Sullivan sees a possibility of a federal bond issue bill's passing Congress. Many business interests, he points out, think that a large sum of government funds thrown into trade channels would benefit business regardless of whether the particular process used is fundamentally sound or not. If the presence of an emergency can be established, as seems likely, Congress is likely to overcome its objections, particularly after it has appropriated several billions to aid business which, labor leaders will tell it, will require a long time to seep down to the unemployed workers.

International News

"OUR NEW HOME"—*Secretary Lamont points out the features of the new Commerce Building at a preview for President Hoover and his family*



Wide World

RELIEF WORKERS—*Edward F. McGrady (left), of the American Federation of Labor, and Dr. Sidney C. Goldstein, of the Joint Committee on Unemployment of New York, before the LaFollette Committee* *(p. 7)*

Holiday Shoppers Bought More Goods for Less Money

DECEMBER'S holiday sales in department, chain and other retail stores established many new high records for units moved but, with few exceptions, reflected the decidedly lower price levels in lower dollar volume. Post-holiday returns of merchandise for credit or cash-refund were lighter than anticipated.

In New York Bloomingdale reports dollar volume up 7% compared with 1930, transactions up 25%. Significantly, bargain basement store sales were up 33⅓%, dollar sales of radio sets—mostly the $29.95 and $39.95 sets—rose 300%. The increase in volume was handled with only a 12% increase in staff.

More Customers

B. Altman & Co., operating under a revised policy, featuring progressive merchandising and a wider variety of goods at more popular prices, found December transactions substantially higher (in some departments up 40%) with dollar volume slightly ahead of 1930.

John Wanamaker's volume of merchandise moved, number of transactions recorded and total of customers served, went ahead of not only over the 1930 showing but of the 1925 to 1928 records.

Measured in number of deliveries reported by "Retailing," total business of New York department stores gained 10% to 30%. R. H. Macy & Co. established 2 new records—147,500 deliveries in one day, 2,101,700 during the holiday season.

Boston Trade Good

At Boston most stores report unit sales about even with 1930, dollar sales volume down 7% to 12% with substantial increases in total deliveries. E. T. Slattery Co. largest specialty and apparel store in the Hub increased both dollar and unit sales volume through intensive advertising.

Chicago merchants found difficulty in equalling 1930 unit sales figures while dollar volume in large stores was at least 5% under 1930.

San Francisco stores were able to equal 1930 in unit sales but dollar volume was 10% to 15% lower.

In Philadelphia, Cleveland, Cincinnati, Detroit, St. Louis, Denver, Atlanta, Minneapolis, St. Paul, Los Angeles and other large cities unit sales generally equalled or exceeded those of 1930; dollar volume showed varying declines.

Larger stores appear to have been able to take a proportionately larger share of available volume than heretofore through intensive advertising, loss-leader offerings.

Chains Boost Sales

Chain stores, particularly in the 5¢, 10¢, 25¢ to $1 variety line and food chains found unit sales substantially higher but dollar totals for the month are expected to show few increases over 1930.

Sales by mail order houses, aided by their large chains of retail stores, came nearer 1930 levels than during recent months, those of Sears, Roebuck & Co., largest in the group, totalling only 15 1/10% under 1930.

While there was less of a post-holiday rush of return goods for credit or cash refund than anticipated, several stores have reported dangerous increases in both the number and volume of C.O.D. returns.

Macy's Special Sales Built on Women's Vote

UNWILLING to base forward planning merely on past performance records, R. H. Macy & Co., New York's giant cash-buying-and-selling department store, and its affiliate L. Bamberger & Co., Newark, N. J., have given present and prospective women customers an opportunity to "vote" at a personally conducted "election" of the lines of merchandise to be featured in special sales.

Through an outside organization 20,469 women in Greater New York and New Jersey have been interviewed. Varying types of neighborhoods and classes of buyers were included.

Of the 12 groups of questions covered by the questionnaire, 2 refer specifically to January sales items. The other 10 represent a real attempt at advance determination of future markets on important lines.

Grist for the Trend Mill

Women are asked specifically to state their preferences in material, style, weight, type, and price range of dresses, coats, hosiery, underwear; their particular interest in table linen, sheets, blankets, towels; their choice of style, class, and price of rugs and furniture. The housewife is even asked to give detailed specifications on the type and color of shirt her husband wears and to reveal whether he bought a new overcoat this winter.

The first of the various sales, for which 91% of the women voted, in-

cludes furniture, children's apparel, women's coats, and the white goods, sheets, pillow cases, etc., particularly requested by 10,296 voters.

The survey in the metropolitan district is being continued by personal calls and mail; future sales are to be planned in response to specific requests.

Macy's other affiliates, La Salle & Koch, Toledo, and Davison-Paxon Co., Atlanta, are proceeding with similar surveys, will shortly launch a series of survey-based sales.

Gold Dust, General Foods, Pool Specialty

DISTRIBUTION economies as the first objective, production and overhead savings possible for good measure, General Foods Corp. and Gold Dust Corp. have pooled their mayonnaise interests in a newly formed, jointly-owned subsidiary, The Best Foods, Inc.—a name Gold Dust owned.

During the last decade, growing recognition of vitamin-supplying salads as necessary part of human diet brought startling increases in consumption of mayonnaise and other salad dressings. Manufacturers prospered. But mayonnaise must be fresh, and important manufacturers found it necessary to establish expensive direct truck delivery service to retail stores.

Richard Hellmann, Inc., General Foods Corp. mayonnaise-making subsidiary, has maintained elaborate truck delivery service from its plants at Long Island City, Miami, Dallas, Chicago, San Francisco, and Toronto.

The Best Foods, Inc., with plants at Bayonne, N. J., Chicago, San Francisco, Streator, Ill., and Norfolk, Va., did the same for Gold Dust Corp. The eastern United States has consumed the bulk of Hellmann's products while The Best Foods stronghold was the West.

Under the new setup existing products and brands will be continued, but the truck distribution system of the two companies will be consolidated. Territories and delivery routes will be arranged so that every one of the 400,000 retail dealers handling the lines will be serviced with a fresh stock once every week. Trucks will carry the two brands of mayonnaise, Gold Medal Salad Dressing, Nucoa Margarine, Hellmann's Sandwich Spread, and various other products suitable for direct-to-retailer distribution.

Manufacturing operations are to be continued in existing plants under consolidated production schedules, with buying operations centralized to insure greatest possible economies.

Those familiar with conditions in the distribution field of the food industry believe this pooling arrangement will provide an example in constructive competition that may eventually be followed profitably by others.

Furniture Industry Offers Price Guarantee as Cure for Chaos

THE total of 1,200 dealers registered on the first day of the annual winter furniture mart and style show, just opened at Chicago was 25% under last year's record, but manufacturers and dealers alike brought to the market more real fighting spirit than has been evident in several years.

The National Association of Furniture Manufacturers has a brand new spine-stiffener in its plan for stabilizing the industry: retailers to guarantee consumers for 90 days against any decline in prices on the goods purchased; manufacturers to back up the dealers in that guarantee.

Of the 682 exhibitors at the mart over 400 are displaying price-guarantee signs, and most of the remaining are expected to come in.

The furniture industry has been close to complete demoralization for the last 3 years. Hundreds of factories and dealers have failed (*BW—Nov19, Dec 2'31*).

Reliable dealers, able to finance their purchases for several months ahead, have gone to the previous shows, made their purchases, sold to their retail customers at prices based on actual cost; then found that identical pieces were being dumped on the local retail market, sometimes by itinerant merchants, at prices far below what they had paid the manufacturer.

To protect themselves and their customers these dealers have been forced to adopt a policy of hand-to-mouth and job-lot buying.

But good furniture cannot be produced in any quantity on a hand-to-mouth basis. Well-established manufacturers have suffered heavily while the market was being flooded with goods made of cheap new or second-hand lumber finished to look attractive but barely strong enough to withstand use until a few instalment payments had been collected.

Well-informed furniture manufacturers assert that the industry has now seen its worst, that the present furniture mart marks the turning point.

They cite a recent industry survey, in which 93% of all reporting manufacturers stated that prices would probably not go lower.

According to reports from 3,763 furniture manufacturers received by R. G. Dun & Co., total production for 1931 was $125 millions or 22% less than in 1930, and 42% under 1929.

Building quantities of goods down to a price has not been profitable for either manufacturer or dealer. So increasing numbers of manufacturers are re-styling their lines, improving construction, applying better advertising, merchandising, and selling methods, now propose to be content with selling a smaller quantity—at a profit.

Modernized Mills Will Set Cotton Goods Prices

DISASTER lies not very far ahead for many of the cotton mills unless they recognize the immediate and imperative necessity for extensive replacements, and find means to make them, says a report on obsolescence in cotton mills quoted by *Textile World*.

Nearly 8 million spindles—23% of the country's total—are so distinctly superior in design and performance to the remaining 26 millions that they will unquestionably fix the standards of operating performance and costs for the industry as a whole. Thus they will fix the prices of cotton goods when other factors, responsible for competitive demoralization, have been stabilized.

Cotton goods prices will ultimately stabilize at levels made possible by this most modern equipment, and those mills which cannot meet this price, because of inferior equipment, will gradually pass out of the competitive picture.

This report supports findings of Henry G. Lord, president Bragdon, Lord & Nagle Co., who, questioning various textile authorities, learned that 10% of mills could qualify for Class A rating in equipment, 30% to 40% would rate B; 50% to 60% would rate C.

Rising Piano Sales Point to A Renaissance of Music

Nobody buys a piano because it's a bargain, so makers credit revival of interest and radio

MUSIC is coming back. Concert goers may not know it has been away, but musical instrument makers have been chasing it up and down the scale of popularity for years. For them, the musical index of America is expressed in the number of pianos and fiddles in active service, and not in the ecstasies of a Toscanini's shoulder blades.

Piano makers, especially, see a real renaissance of music, can explain in no other way the fact that people are actually buying pianos.

Cynical souls are quick to point out that most of these sales are at reduced prices, that the industry is over-anxious, all too willing to interpret random chords on the cash registers as the opening bars of an overture to old-time piano prosperity.

In rebuttal, industry optimists rest their case on this simple philosophy: nobody buys a piano at any price, no matter how low, unless he wants a piano. Shoes and ships may be bought because they're bargains, but not pianos.

Just what is causing this revival, instrument makers are not stopping to enquire. They wonder if it's the pangs of depression, which have filled a stricken people with the desire for sad music—personally produced. They are even willing to credit their old enemy, the radio, with arousing a yearning which it can't itself satisfy.

Specifically, they indicate the programs on musical appreciation directed by prominent musicians, the radio lectures designed to stimulate interest in music as self-expression, and sponsored by the music and radio industries.

Even the cynics will admit that the alleged common denominator of the emotions has acquired a new standing and a broader base. The old "Poet and Peasant" addicts have become Brahms-conscious.

Colleges which once gave "elementary musical appreciation," for athletes only, now grant credits for serious music study. Public schools are encouraging its inclusion in the educational program. In 1929, but 389 municipalities with 517 teachers gave group piano instruction; in June, 1931, there were 2,349 teachers in 1,006 cities giving little Johnny his finger work along with his number work.

Wurlitzer's Record

Rudolph Wurlitzer Co., world's largest maker and distributor of musical instruments, is fully convinced of returning public interest, has arranged to give free lessons through its 41 retail branches. The New York store has 1,100 students enrolled, although in operation only 5 months, reports excellent sales results from the offer of 6 lessons free on any instrument purchased.

Aeolian Co., one of the big 3, cut prices and instalment terms early in the year, announces a 22½% increase in the number of pianos sold in the first 10 months of 1931 compared with the same period in 1930.

Sohmer & Co., old established piano makers, reduced prices and down payments, see 1931 sales in units 15% ahead of 1930.

Hardman Peck & Co. established a new high for unit sales in one month, this in October, 1931. Vose & Sons, with 150 dealers, admits steadily growing prospects. A. H. Hume, Boston piano dealer for Baldwin and others, was ahead of 1930 for the first 10 months of 1931 in both unit and dollar volume.

Encouraging Evidence

Steinway and Kranich & Bach report no decided increase in sales, but are encouraged by the evidences of revival.

The new American Piano Corp., formed in June, 1930, to salvage the goodwill and assets of the old company, finished its first year with a net profit of $42,758.49.

Unhampered by sentiment, the new management eliminated expensive showrooms, surplus personnel, impractical duplications. Production for all the divisions, which include Knabe, Chickering, Ampico, Fisher, Marshall & Wendell, Brewster, Holmes, is concentrated at the most modern plant in East Rochester. Surplus stocks have been cleared, and unit sales for the last half of 1931 will show increases.

Many manufacturers have reduced

The Business Week

AT THE FURNITURE MART—*H. E. Dill, secretary of the Retail Furniture Association of Texas, points to the price guarantee sponsored by the National Association of Furniture Manufacturers to encourage buying confidence among the retailers visiting the big show*

prices on their standard lines; others have brought out new models built to a price. All agree that self-playing pianos are not the basis of the demand, that uprights are little wanted, that comparatively low-priced grands make up 70% to 90% of all sales, with $400 to $700 the popular price range.

Piano making in America is a century old, reached its industrial majority with the expansion of the country. The early 1900's saw the piano as the accepted social symbol. Every home on the right side of the railroad tracks had to have one, and piano salesmen waxed fat.

The phonograph pushed the business off this pinnacle, the advent of the players restored it to some extent. Then childish fingers which had been forced to stretch an octave grew up to grab a steering wheel, and ivory keys turned yellow.

Short-Lived Prosperity

The industry reached its peak of prosperity in 1923. The 294 manufacturers of 1909 had dwindled to 160, but the survivors sold almost 350,000 pianos that year. However, the electric reproducing pianos which brought about the return to happy times had much more competition than their ancestors of Gibson girl days. They cost as much as an automobile, and, anyway, there was the radio just developing a loudspeaker.

Even the boom years couldn't stop the inevitable; 1928 and 1929 saw the piano makers' output fall off 58.1%, that of other instrument makers 26.4%. Since the coming of age of the radio, over 100 manufacturers have failed.

With this background of experience in the fickleness of public taste, the music makers are not likely to overestimate their prospects. If they say there's a revival, there's probably a revival. But, more important, their history has taught them something about business, they are learning how to manufacture economically and sell profitably. If, when, and as their boom develops, they'll know what to do with it.

The Business Week

CIGARETTE FAMILY—*Condossis follows European tradition with 3 cigarettes under 1 brand. King and Prince are of Macedonian, popularly known as Turkish tobaccos, sell 10 for 25¢ and 10 for 15¢ respectively; Count is a blend, costs 20¢ for 20. Packages stress the family ties*

The Dry Old Annual Statement Blossoms Into Sales Promotion

Increasingly corporations seize the opportunity to advertise their wares to stockholders

THE present season of annual corporation statements is expected to produce a much larger proportion of the goodwill building variety, grown in popularity apace with the expanding lists of shareholders of large companies.

Shareholders in recent years have been taken into the confidence of management to an increasing degree.

Some large corporations, besides issuing annual financial statements in most complete detail, include exhaustive reports on various phases of the company's activities over the signature of president or chairman, and also take the opportunity for "selling" the company and its products to each of its part-owners.

Others go even further; enclose dividend checks in special jackets or folders containing progress reports, sales statements, current news of interest to stockholders.

General Motors Corp. makes a concise statement of affairs, urges its 295,714 stockholders' support through purchase of its products, even sends a farewell and "auf Wiedersehen" letter when a shareholder sells out.

American Radiator & Standard Sanitary Corp. publishes a complete list of its subsidiaries, their products, and a regular manual showing stockholders what they can do to help their company and themselves.

General Electric Co. accompanies every dividend check with a well-illustrated folder reciting some accomplishment, describing new products, telling stockholders where they can buy the company's goods.

Commercial Credit Co. makes a check jacket carry a progress and news statement, and a heavy type appeal to use the company's credit service when selling or buying on deferred basis.

General Foods Corp. considers its 51,000 stockholders a market representing 250,000 consumers, makes the booklet with annual statement much of a sales medium, containing illustrations and description of products and a definite appeal for shareholders' support while every dividend check is mailed in a neatly printed jacket carrying current statement, product review, news of recent accomplishments.

Similarly Standard Brands, Inc., Colgate, Palmolive-Peet Co., National Biscuit Co., Beech-Nut Packing Co., the Borden Co., and other producers of consumer goods are increasingly using the mailings to stockholders as a means for building good-will and markets, some even preparing special mailings to sell their holiday-wrapped products at Christmas time.

The Goodyear Tire & Rubber Co.'s 28-page annual report is a most imposing piece of sales literature with but 4 pages devoted to figures.

Utilities, frequently having the bulk of stockholders in the territory served by them, appear definitely committed to the selling type of annual report and their practice is quite logically followed by holding companies in that field.

Engineers Public Service Co., Central Public Service Corp., Public Service Corp. of N. J. and other similar organizations review their entire year's operation in great detail.

Two Schools of Statements

Of 80-odd annual statements reviewed, only one-third reflected the traditional tell-them-noting attitude, with merely the annual balance sheet and formal presidential letter. Banks appeared to adhere chiefly to this practice.

Manufacturers, utilities, oil companies, retail and chain organizations apparently favor more intimate contacts with their stockholders.

Interesting is the fact that communications to stockholders by large corporations are such a considerable expense that in the present economy drive some are attempting to cut the cost. One corporation with several hundred thousand stockholders expects to effect a substantial reduction in mailing and postage costs by changing the date of its annual meeting so that statement and proxy can properly be mailed at one time, under one cover.

Others may discard the very popular dividend check "jacket" in favor of a more extensive sales booklet that can be mailed at no extra cost and little increase in cost of printing.

Demand for Light Trucks Makes Competition Hotter

THE motor truck industry produced about 420,000 units the past year, compared with 599,991 during 1930, a decline of slightly over 28%. Competition is keener than a year ago, due to the expansion in number of makers of light-duty trucks. Chevrolet, Reo, Dodge, and Willys have concentrated more attention on this field in an effort to overcome the Ford lead.

The sales trend favors this type of commercial car. In 1924 the demand for trucks weighing ¾-ton or less represented 15% of total truck output; in 1930, 24%. The biggest vogue is for trucks weighing from 1½ tons to less than 2 tons. In 1924 this group included 4.7% of all truck production; in 1930 it was 61.7%.

In an endeavor to get a bigger share of the truck market, Dodge is offering 5 new truck models in the standard line and 1 in the heavy-duty field. A new low price of $375 has been established for the chassis.

Exports of American-made trucks totaled 128,000 cars in 1931; this is a decline of 31% from the previous year against 47% in passenger cars. About 900,000 trucks were used by 845,000 farms in 1930 compared with 139,000 trucks on 131,000 farms in 1920.

There is a definite trend toward the pricing of light commercial cars on the basis of a complete car, including both body and chassis. That is, fewer chassis are being sold by factories to dealers who purchase bodies independently from body manufacturers. The presentation of a complete car in dozens of body styles has been developed by Ford, Chevrolet, and Dodge.

Study of 487 Business Failures Shows Bad Methods Usual Cause

One-fourth of these "business men" kept no books and a third of them never took an inventory

A CORONER'S inquest on bankruptcies in New Jersey absolves the maladies anciently suspect, fixes the blame for most casualties upon sloppy and inefficient business methods. The depression, capital starvation, savage competition, are the trinity usually blamed for failures. Unjustly so, says the Jersey jury:

"The real cause was the inefficient practices of the one who failed. Having kept no books, never taken an inventory, extended credit unwisely, and engaged in other practices not consistent with the commonly accepted principles of sound business, when adverse conditions came he failed, while his more efficient competitor was able to weather the storm."

Stricter Law Wanted

This is one of the chain of investigations traceable to the New York City scandal of 1929. The U. S. Attorney-General has drawn upon them for a report which will ask the present Congress to put teeth in the 35-year-old Bankruptcy Act. Co-operating in the New Jersey study were U. S. District Judge William Clark, whose "bankruptcy clinic" is famous, the Yale Institute of Human Relations and School of Law, the U. S. Department of Commerce. Assistance was given by the North Jersey Association of Credit Men and the Newark Chamber of Commerce. Autopsies included 612 failures, two-thirds of all New Jersey bankruptcies filed during an 8-month period. Of these 487 were business men, the rest professional persons or workers.

An astonishing disclosure was the lack of bookkeeping. Of 408 failures, 96 kept no books at all, 120 kept inadequate records, 192 adequate. Worst of all were the real estate men whose troubles were aggravated by a severe slump in their market. Half of them did business without books, only 25% kept adequate records. Electrical equipment stores scored highest with 100% adequacy; restaurants were lowest with 12.5% keeping adequate books, which was 4 points under the farmers who went bankrupt.

Just Bad Businessmen

Of 295 concerns reporting, 115 never took an inventory. Bad debt losses on open credit account were 7.2% and the average instalment loss 17.1%. Failed automobile dealers were doomed by open-credit losses 11 times greater than the average, instalment losses 30 times greater. Similar huge percentages broke the backs of radio and furniture stores. Wholesalers and manufacturers sinned on the side by feeding the incompetents capital in the form of too much credit. Speculation, inside and outside the business, and dishonesty contributed to the disasters.

An irate attorney-general called the present Bankruptcy Law a haven for debt cancellation. Individuals as well as concerns have discovered this snug

retreat. The honest workingman utilizes it. Of 125 bankrupt workers and professional men, 25.6% took the step to avoid payment of court judgments. About two-thirds of these were escapes from the penalties of automobile accidents. Judgments were often the only reason for bankruptcy. Of cases in which such judgment were dodged, all but 4 were wage earners.

Salvaging of Scrap Cuts Into Sale of Copper and Brass

MUCH light has been thrown on one of the most disturbing factors in the copper situation by this week's report of J. W. Furness, chief of the Minerals Division of the U. S. Bureau of Foreign & Domestic Commerce, on the flow of scrap copper and brass back into the industry.

The importance of this salvaging operation is demonstrated by the fact that, except in 3 refining plants, no strictly virgin copper is produced in the United States today. Being a high-grade raw material, scrap copper accounts for a substantial part of refined production. Small wonder, therefore, that mining producers are resentful.

Used for Telephone Wire

Primary smelters (using ore material) purchased in 1930 scrap and clippings with a content of 140,000 tons of recoverable copper, exceeding one-fifth of the year's production of refined copper from domestic ore—696,000 tons. The 1930 purchases of scrap by secondary smelters (using no ore material) totalled 112,000 tons copper content. The latter figure included 36,000 tons of scrap classified as crucible, No. 1 copper wire, heavy copper and wire mixed. One of the largest buyers was the Western Electric Co. to supply the Bell Telephone's requirements for copper wire. Purchases by brass plants of scrap copper and brass amounted to 60,000 tons.

In covering, for the first time, the purchase of the secondary raw material, the survey defines the close relationship between the primary and secondary sources of supply. A study of the movement of scrap as traced in the report will indicate strategic points where partial fabrication of the material would make possible a much wider distribution.

The survey also points, inferentially, to the increased return promised by more careful grading and sorting of scrap and otherwise improving present methods of marketing.

Numerous industries are listed as purchasing from the secondary trade part of their requirements for the manufacture of brass and bronze alloys, ingots, bushing stock, valves, cables, castings of various kinds, cooking utensils, foundry patterns, plumbing specialties, tubing, and many electrical products.

Because of the reticence of a few large firms, the survey does not represent 100% coverage of the trade in copper and brass scrap in 1930, but inaccuracies and omissions will be corrected by annual surveys in the future. A questionnaire covering 1931 business will go to the trade this month.

Helbran

GLASS CARVER—*Sand guns replace the grinding wheel; stencils are cut in sheet glue and the operator can do in a matter of minutes what used to take hours. Depth of cut is judged by the purple glow at the nozzle of the gun, caused by the friction of the sand*

Cuts in Oil Output Encourage Industry

SHARP reduction in crude oil output during recent weeks has given the industry a more optimistic view of the immediate future. With the increase in oil and gasoline stocks virtually halted and production in line with decreased winter demands, markets have steadied and are expected to carry through until spring without much change.

The reduction program started in Texas Sunday, Dec. 20, when wells producing 637,000 bbls. were shut down. The following Sunday nearly all major producers had joined the procession and 800,000 bbls. were shut in. Oklahoma has cut its output 70,000 bbls. a day and Kansas has cut 10,000 bbls. from its prorated total while in both states many producers are joining in the Sunday shut-down or are reducing total output by one-seventh. California is trying to cut its total to 457,000 bbls.; is now producing 500,000 bbls. against a proration total of 487,000.

With these and similar measures being tried out in many fields industry leaders hope to cut 200,000 bbls. a day from total oil production, the amount they believe is necessary to avoid a market upset this winter.

Need for such drastic measures is seen in stock figures. Crude stocks gained 2.7 million bbls. in November and gasoline stocks 2.3 million bbls. At the end of December gasoline stocks were 5 million bbls. more than at the beginning of the month.

A NEW BURROUGHS

TWENTY TOTALS IN ONE COLUMN OR SEPARATE COLUMNS

COMPLETES THE ANALYSIS WHILE POSTING OTHER RECORDS

PROVIDES VITAL ANALYSIS FIGURES WHILE THEY ARE NEWS...NOT HISTORY

Now you can have accurate analysis figures of sales, collections, expenses and profits quickly—when they are wanted—as this new Burroughs often saves hours—or even days—in getting such information into the hands of executives.

This machine greatly speeds up work. It posts two or more related records in one operation and, at the same time, completes the distribution to any number of classifications up to twenty.

It is particularly adapted to such jobs as accounts receivable, accounts payable, payroll, general ledger, stores records, consolidation of branch reports, and so on. It is economical because it has such a wide range of usefulness.

A demonstration can be arranged by telephoning the local Burroughs office, or, if you prefer, you may write direct for complete information contained in a special, illustrated folder.

BURROUGHS ADDING MACHINE COMPANY, 6131 SECOND BOULEVARD, DETROIT, MICHIGAN

Burroughs

The Business Week

NEW PRESIDENTS—*Ralph Budd (right) going to head the Burlington, congratulates William P. Kinney, his successor on the Great Northern*

I. C. C. Reaches for Control Of All Interstate Transportation

Congress likely to spend year over proposals to regulate motor lines, open highways to railroads

THAT a strong attempt will be made at this session of Congress to bring interstate buses and trucks under federal control as part of the railroad relief program is not to be doubted, but it is highly improbable that such legislation will be passed before next year—that is until after the presidential election.

Just what sort of regulation is going to be sought is shown in the recommendations submitted to the Interstate Commerce Commission this week by Leo J. Flynn, examiner in charge of its investigation into the coordination of rail and motor transport.

Under these proposals, common carrier bus and truck lines in interstate commerce would have to take out a certificate of public convenience and necessity and show liability insurance or indemnity bonds. Contract carriers would have to register with the I.C.C. and would be entitled to permits for a definite period if they carry liability insurance or file indemnity bonds, satisfy other requirements; the commission would also be authorized to fix their minimum rates.

Could Use Highways

Of direct interest to the railroads and water lines is the recommendation that they be specifically authorized by law to utilize the highways whenever this will result in economical operation or improved service. Rail and water carriers now operating bus and truck lines through subsidiary companies would have these operations brought under the I.C.C.'s control; those planning to do so would be required to obtain a certificate of public convenience and necessity, except in case of motor operations at terminals.

The report raises the question of whether substitution of station-to-station motor service for rail service is lawful, but recommends that the Clayton Anti-Trust Act be modified to permit the railroads to acquire motor lines already in existence wherever this will promote economy and efficiency and will not be adverse to public interest. It would have railroads and motor carriers controlled by them authorized, but not required at this time, to establish through routes and joint rates with other common carrier bus and truck lines.

Points to Express

The report also suggests that, for the benefit of shippers, the railroads consider utilizing the Railway Express Agency for handling all less-than-carload freight, and that a study be made of present railroad classifications to reduce transportation costs.

Broad discretion will be necessary, Examiner Flynn points out, in determining whether public convenience and necessity call for a bus or truck service between points adequately served by railroads, and Congress will be required to give specific direction as to how such discretion should be exercised.

While recommending that the regulation be vested in the I.C.C., the report suggests that where motor carrier operation does not cover more than 3 states, certificates, consolidations, and complaints should be handled by joint boards of state representatives, subject to review by the commission.

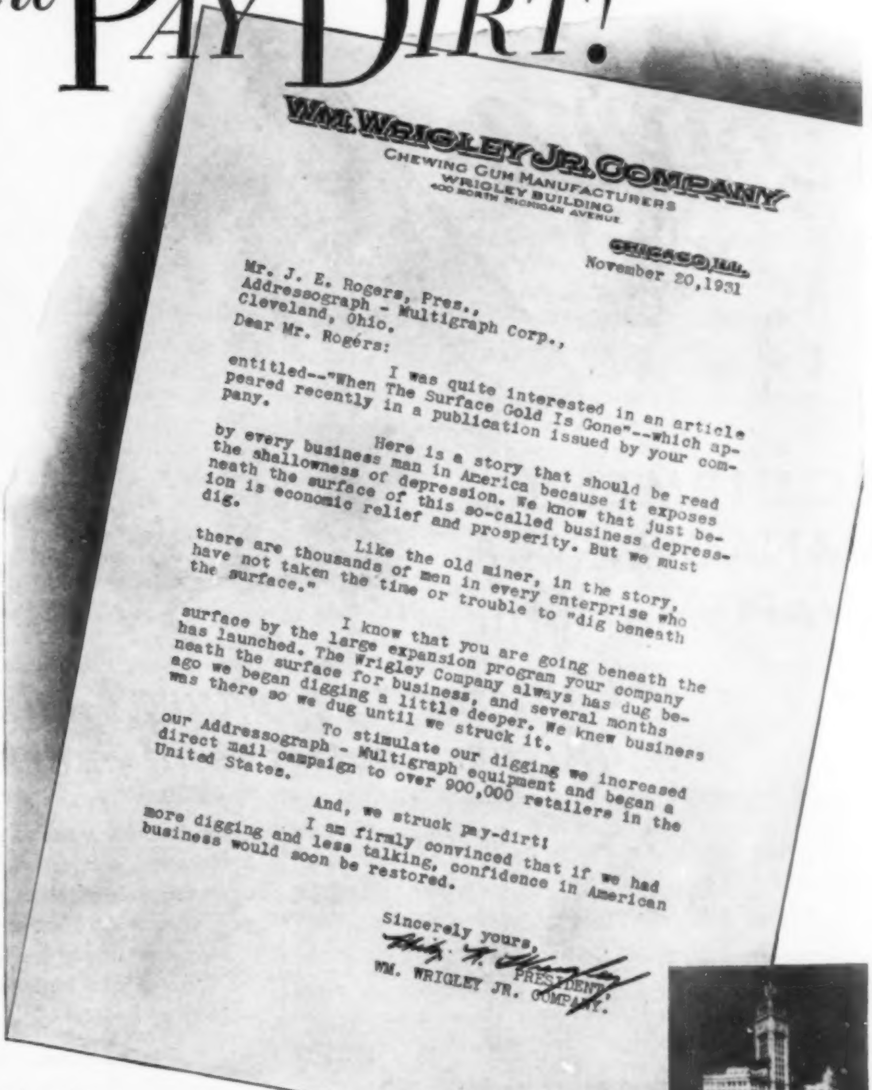
Would Supervise Issues

Issuance, of securities of interstate motor lines would also be placed under the I.C.C.'s control. Brokerage in transportation by motor vehicles not certificated would either be prohibited or brought under control by license. Motor carriers would be required to make extensions to their service, and carry mail. The hours of service, working conditions, and wages in motor operation would be on a basis similar to those of rail employees. Concerning taxation of motor vehicles, the report urges an investigation to determine whether or not they are contributing a sufficient share toward the public highway budgets. Such an inquiry has already been recommended to Congress by the I.C.C.

Grain Rate Decision Sets a Precedent

RAILROAD carriers were gratified by the U. S. Supreme Court's unanimous decision this week annulling the Interstate Commerce Commission's order re-

WRIGLEY Digs deeper and hits new PAY DIRT!



WM. WRIGLEY JR. COMPANY
CHEWING GUM MANUFACTURERS
WRIGLEY BUILDING
400 NORTH MICHIGAN AVENUE

CHICAGO, ILL.
November 20,1931

Mr. J. E. Rogers, Pres.,
Addressograph - Multigraph Corp.,
Cleveland, Ohio.

Dear Mr. Rogérs:

I was quite interested in an article entitled--"When The Surface Gold Is Gone"--which appeared recently in a publication issued by your company.

Here is a story that should be read by every business man in America because it exposes the shallowness of depression. We know that just beneath the surface of this so-called business depression is economic relief and prosperity. But we must dig.

Like the old miner, in the story, there are thousands of men in every enterprise who have not taken the time or trouble to "dig beneath the surface."

I know that you are going beneath the surface by the large expansion program your company has launched. The Wrigley Company always has dug beneath the surface for business, and several months ago we began digging a little deeper. We knew business was there so we dug until we struck it.

To stimulate our digging we increased our Addressograph - Multigraph equipment and began a direct mail campaign to over 900,000 retailers in the United States.

And, we struck pay-dirt!

I am firmly convinced that if we had more digging and less talking, confidence in American business would soon be restored.

Sincerely yours,

PRESIDENT,
WM. WRIGLEY JR. COMPANY.

Uses Addressograph and Multigraph equipment in immense mail campaign, achieving dividend quota for 1931 by October 1st. His experience endorses our counsel to "dig deeper," as advanced in Addressograph-Multigraph News reproduced above.

"Tell'em quick—tell'em often."

William Wrigley's succinct slogan...the powerful force behind his latest and most successful mail campaign: — *monthly sales literature to 900,000 retailers, 43,000 jobber salesmen, 15,000 jobbers!*

A rousing Wrigley message produced and speeded out with efficient Addressograph and Multigraph equipment.

Like Wrigley, overcoming general increased sales resistance, thousands of Addressograph and Multigraph users are now *increasing* sales volume:

"We can truthfully say Addressograph has increased our business 35% to 40%." ***G. G. Moss Co. Inc., Richmond, Va. (Jobber).***

"Multigraph enabled us to sell more honey during the last two months than in the previous year." ***J. E. Crane & Son, Middlebury, Vt.***

What others have done, *you* can do with profit-raising Addressograph-Multigraph products.

The "PROOF" issue of the A-M News contains scores of sales-building testimonials, from every type of business. Our own successful "deep digging" project is included.

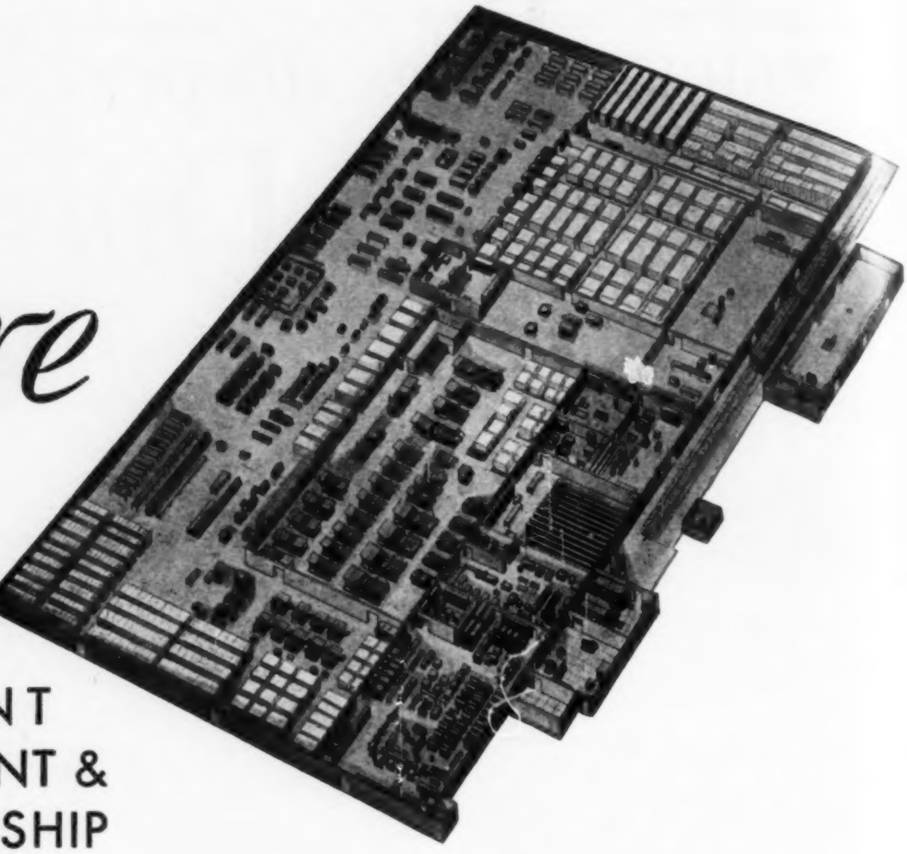
Write for your copy (together with a front page reproduction for framing), and ask a representative to prove Addressograph-Multigraph *can make and save money for you!* There are models to suit every need and purse.

Addressograph Company — Multigraph Company,
Divisions of
ADDRESSOGRAPH-MULTIGRAPH CORPORATION,
1814 East 40th Street, Cleveland, Ohio

Wrigley Building—a monument to Mr. William Wrigley's energy. Addressograph-Multigraph methods have helped him attain leadership.

Addressograph

Multigraph



Here

EQUIPMENT MANAGEMENT & CRAFTSMANSHIP

Combine to produce business literature quicker, better and more economically

It takes more than salesmanship to produce a good product. Here, at the W. B. Conkey Company, salesmanship is backed up by that necessary triumvirate: equipment, management and craftsmanship.

Study the floor plan above. Note the details of this modern, one-floor plant—the correct placing of every department, wide aisles—everything that tends to facilitate the economical production of work in process.

The craftsman personnel of the W. B. Conkey Company is also unique. The majority of Conkey craftsmen are old employees. They own their own homes in Hammond. They live and play in the neighborhood of their work. No other institution of its kind can show an employee-group so well acquainted with its work, so contented, so permanent. And, directing this combination, is a standard of management unequalled in the printing industry.

What does this mean to you, the buyer? It means that the location, production facilities, organization, management, policies, history and reputation of this company is such as to warrant your first consideration as a source of supply for the printing and binding of catalogs, general business books and all other forms of "buying literature."

Many of the best known institutions in the country today — institutions that buy carefully, conservatively, intelligently — consider the W. B. Conkey Company of first importance. Their past experience has verified and justified this opinion. Why don't you try Conkey? A request will bring you a copy of "Printing Plant Management — its relation to the craftsman and the customer" — a booklet which presents the story of Conkey policy and practice in an interesting manner.

The Mark of Good Printing Since 1877

W. B. CONKEY COMPANY, HAMMOND, INDIANA

Printers, Binders and Book Manufacturers — Sales Offices in Chicago & New York

USE "BUYING LITERATURE" AS WELL AS "SELLING LITERATURE"

ducing freight rates on grain in Western territory.

This victory, won after several years' fight, removes the future prospect of a $20-million yearly loss in railroad revenues. It also establishes a precedent: that the I.C.C., when fixing rates, must take into account the conditions at the time when a rate revision is to become effective.

Speaking for the court, Chief Justice Hughes pointed out that the facts upon which the I.C.C. based its order were those of 1928, when the rate proceedings were closed, and did not apply to the condition existing in 1931, when the new grain rates went into effect. He held that the commission should have reopened the case when the carriers petitioned it to do so last spring.

Voiding of Taxes Leaves Chicago 3 Times as Sick as It Thought

A VERY sick man who thinks his misery could not be worse and then suddenly finds it 3 times as acute can appreciate events which took place in Chicago over the holidays.

Government chaos is imminent. On the last day of the old year County Judge Edmund K. Jarecki handed down a decision voiding assessments under which taxes for the past 3 years were levied.

It was bad enough to have $120 millions of 1928 and 1929 taxes in arrears but to be told now that they were illegally levied and, therefore, void makes preceding troubles seem small. The 1930 levy of $288 millions is jeopardized. People who paid taxes under the illegal assessment would be entitled to adjustment. It would take months to do the costly job over again.

The basis of this decision was that the assessment did not make personal property bear its share of the burden as the constitution of Illinois and statutes, long since regarded as obsolete, say must be done. Whether this decision will be upheld by the Supreme Court in February remains to be seen. There is good reason to believe it might be. To reverse the decision, the court will have to admit that disuse has nullified present state laws and that the emergency is such that the assessment should be upheld in the interest of public welfare.

Quick Action Needed

The immediate effect of the decision is to speed up and intensify relief efforts. The situation is further complicated by a strong movement getting under way during the holidays for funding the $388 millions unpaid and current taxes. The bankers' answer is that the bonds could not be sold.

Leaders are concentrating efforts on getting enacted into law the recommendation of the governor's tax conference that an appointed assessor and 2 appointed reviewers replace the present elective boards. Unless the assessment machinery is reformed, the city's credit cannot be maintained.

What may happen cannot be forecast. Schools may close. A receiver for Chicago is suggested. But even a receiver will need money to work with.

Atlas-Goldman Sachs Form New Alliance

ATLAS UTILITIES CORP. celebrated New Year's Eve by acquisition of a large, though not controlling, interest in Goldman Sachs Trading Corp. This purchase carried with it important interest in Goldman Sachs affiliates, Blue Ridge and Shenandoah.

The deal links 2 important financial institutions, which according to indications will work closely together. The combination will be one of the largest holders of stock in the new Manufacturers Trust Co., in New York. Atlas becomes one of the largest, if not the largest, of investment trusts.

This acquisition comes after purchase of 16 investment trusts in the past 2 depression years (*BW—Aug16'31*), with 4 acquired in the last 4 months. It redisplays Atlas' confidence in the future of American corporations, acts speaking much louder than the few words uttered. This confidence stands out in spectacular contrast with the general trend in financial circles.

Earlier Parallel

The wholesale consolidation of investment trusts going on primarily through Atlas parallels the movement which occurred soon after the birth of the investment trust in England and Scotland. The boom of the '80s and early '90s was followed by an era of consolidation which brought the number down to a few large and powerful institutions. The trend is to sever investment trusts from commercial and investment banking institutions and brokerage companies.

The policy of Atlas' management has been to maintain high liquidity and not to resort to borrowed capital.

The Business Week

REMOTE CONTROL—*Seated before his electric map, this Boston & Maine towerman controls train movements for 34 miles, is here throwing a switch 20 miles away. Lights show location of all trains and position of all switches and signal lights. The Boston & Maine has 159 miles of track on this system; the largest installation of its kind on any railroad*

Truer today than ever

Five years ago McGraw-Hill published a full page advertisement in metropolitan newspapers which singled out an incident in the experience of McGraw-Hill circulation men. A man had chugged along 100 miles of corduroy road in the Yuma Desert to get two subscriptions in a central station that had just reached a rating that made it a worth-while prospect for manufacturers.

That sort of experience is more common today than it was in 1926. Over 200 circulation field men, working exclusively for McGraw-Hill, patrol the wide open spaces as well as the heavily populated industrial centers—if there's a prospect there of sufficient stature to make it profitable for an advertiser to sell.

What a

McGRAW-HILL PU

New York · Boston · Philadelphia · Washington · Greenville

Business men, industrialists and engineers—600,000 of them—regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business.

Radio Retailing
Electronics

Food Industries
Chemical & Metallurgical Engineering

Electrical World
Electrical Merchandising
Electrical West

Power

are you doing about

"Customer-Turnover?"

When the dust of this present upheaval has cleared, many changes will be evident in the ranking of business and industry. Small companies that have always had to fight for business are forging ahead to leadership. Large, "fair-weather" companies, that have rested on their laurels, are dropping behind, or dropping out. New aggressive companies are entering the ranks.

No one who sells to business or industry can afford to ignore this "Customer-Turnover." No one can sit tight and wait for his old customers to come back with orders. New customers must be won to replace old ones fallen by the wayside. New leaders in the field must be cultivated now, before their good-will is won by competitors.

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PICTURE OF $1 MILLION—*Cash—and publicity—relieve a Boston banking situation. Left, are State Treasurer Hurley and City Treasurer Dolan. Behind the "Tommy" gun, Vice-President Tibbetts of the Exchange Trust. Money shown, courtesy of the city, state, Clearing House, and Credit Corp.*

Trend of Events and Increasing Agitation Forecast Inflation

Rise in price level can come about in various ways; Treasury operations most probable

DISCUSSION of inflation as a method to stimulate business has grown steadily in recent weeks. It has reached the stage of vigorous advocacy by several groups and of vigorous attack by others. The strength of the proponents and the trend of present events indicate that some steps toward inflation will be taken. But in all the discussion, no one has taken the pains to define the ways in which inflation might come about.

Inflation is the lowering of the purchasing power of the monetary unit, which is to say, an increase in the general price level. This is achieved through increasing the volume of money and credit in use more rapidly than the volume of business.

Sinister Associations

The word inflation has come to have a sinister meaning to many. This is due primarily to the vivid memory of Europe's uncontrolled post-war inflation, when money and credit were so far increased in volume as to become worthless. Of course none of the proponents of the device want anything remotely approaching that in extent.

What they do want is to counteract this deflation, which curtails business profits and the ability of the public to buy. The effects of deflation are especially deadly in our capitalistic system because of the large volume of debts (mortgages, bonds, fixed obligations of all kinds) which have been incurred in the past period of higher prices. Now, though the same number of dollars are paid to meet these debts, a considerably larger amount of purchasing power is paid than was contemplated when the debt was incurred.

Inflation can occur either through utilization of the gold standard machinery, by abandoning gold payments and embarking on a period of inconvertible money and credit, or by the substitution of some other standard for gold. Many critics who blame the gold standard for present internal deflation are quite incorrect in holding it responsible. It ought also to be plain that it is very unlikely that this country will abandon or be driven off the gold standard.

Inflation on the gold standard could develop in 5 ways.

The first is through deliberate Federal Reserve policy. Federal Reserve credit in our banking system serves in the place of gold. The Reserve system could purchase a large amount of government securities and acceptances in the open market, making payment, of course, with Federal Reserve credit. This would increase bank reserves, since the proceeds of the payment would be deposited in banks. If the process were carried far enough, banks would have on their hands a huge amount of idle cash which would not be earning. Idle money costs money because overhead goes on, even if interest to depositors is cut off. Finally, therefore, the banks would be forced to make more loans and purchase securities, thus increasing the amount of money and credit.

This Is Inflation

Second, inflation can develop and is actually beginning through the operations of the federal Treasury. The enormous deficit of the Treasury must be met by borrowing, at least until taxes are increased to meet it. This borrowing in effect mobilizes idle money and puts it to work. This increases the amount of money and credit in use and thus tends toward inflation.

Treasury borrowing soon will exceed the volume of idle or unused funds, if it does not already do so. Then the only place where money can be obtained is from the Federal Reserve banks, either directly or indirectly. Inflation will begin when the Treasury dips into Reserve bank credit. Operations of the proposed Reconstruction Finance Corp. will have the same essential inflationary effect as Treasury operations. This method is an automatic one.

Banks Could, But—

Third, inflation could occur through a change in commercial banking policy. The banks have a large amount of latent power to create additional money and credit on the base of their present resources. This they could do by making loans and buying securities more freely. Such a development is unlikely in view of present banking policy.

Fourth, inflation could result from a return to the banks of the $750 millions to $1 billion of currency that is in hoarding. Redeposit of these funds would have much the same effect as deposit of Federal Reserve funds resulting from Reserve purchases of bills and

securities in the open market. For this return flow to be effective, however, it would be necessary for the Reserve system to prevent a corresponding reduction in the volume of Reserve credit now outstanding. Such a reduction frequently occurs when currency returns; the banks use to pay off their indebtedness to the Federal Reserve.

From a Gold Rush

Fifth, inflation could result from a large flow of gold to this country. Such a movement is not unlikely in view of the large payments which foreigners must make to this country. However, it can only come from nations which continue to pay gold. And for such a flow to cause inflation it also would be necessary for the Reserve banks to prevent it from being absorbd by retirement of Reserve credit, just as in No. 4.

Should the gold standard be abandoned, the very suspension might mean inflation, but it is easy to forget that it might as well mean further deflation.

Abandonment of the gold standard means simply that the money of the nation is no longer redeemable in gold. That move alone does not increase the volume of money and credit in any way; it simply makes the purchasing power of such money as exists dependent upon many uncontrollable factors. To cause inflation, money- and credit-issuing authorities would have to take some steps to increase the volume of this inconvertible money and credit—as for instance issuance of the "greenbacks" of the last century. This simply is money backed by nothing but the government credit. The volume is restricted by nothing except policy and the capacity of printing presses. A considerable demand exists for such a step, especially in the agricultural regions.

Bi-Metallism Troubles

The substitution of some other standard for gold in present thinking means bi-metallism, whereby money and credit are redeemable in either gold or silver instead of gold alone. Establishment of bi-metallism in practice would mean inflation, in that the amount of silver would be added to the total of money. Proponents of bi-metallism forget, however, the trouble it has caused in the past and the extreme difficulty of making it work unless there be at least a considerable degree of international cooperation.

Sewell Avery's Mail-Order Job Is Concerned With Man-Power

As a business doctor, Montgomery Ward's new chairman specializes in organization-building

Sewell L. Avery, a newly appointed J. P. Morgan business doctor, has as his first assignment the care of a prize Morgan patient, Montgomery Ward & Co. Since he added the title of chairman of the mail order concern's board to that of president of the United States Gypsum Co., he has been increasingly active at Ward headquarters.

Avery is one of that small minority to whom the depression has brought more jobs instead of fewer. He was made a director of United States Steel earlier this year. He is chairman of a business men's advisory committee which helps Mayor Anton J. Cermak of Chicago find money where there is none, sell unsaleable tax anticipation warrants, and otherwise struggle with financial difficulties so acute that they would have thrown a private corporation into bankruptcy long ere this.

Avery is a man of strength and level judgment, accustomed to dominate the business he is in. He has been president of United States Gypsum for 26 of his 57 years. He is the son of a rich Michigan lumber man. Shortly after his graduation from the University of Michigan, he became an officer in one of his father's companies, the Alabaster Co., a producer of gypsum. When 30 or more small gypsum companies merged in 1902 to make the present United States Gypsum Co., Avery became eastern sales manager, 3 years later president.

He piloted the gypsum combine through hectic early years, including 1907 with its panic, built it into a concern of great wealth and solidarity. In the late boom he was called "Gloomy Sewell" for refusing to be carried away by the then general enthusiasm of the "new era." From this gloominess, U. S. Gypsum is benefiting today—as is Avery's reputation with bankers.

The Gypsum executive goes into the great mail order and chain store firm admitting that he has had no experience in the business. He does claim, however, a knowledge of men and of how to get them to work together. He has much material to work with. The Ward organization probably has more good men than the powers in the East have realized to date. The tendency for the past 2 or 3 years of upheaval has been to import outsiders to fill key positions, a natural tendency when control is remote. It is safe to predict that Avery will pay more attention to developing from within.

A glimpse into the history of the past decade throws some light on problems that the new head of Ward faces. Just 10 years ago, another J. P. Morgan business doctor was placed in charge, the late Theodore F. Merseles. He came in from National Cloak & Suit Co., bringing along his righthand man, George B. Everitt, who succeeded to the presidency when Merseles was transferred to Johns-Manville in 1927.

Fired Future Rival

Merseles took hold of Ward following the great post-war commodity deflation. Losses greater than those of 1931 had been piled up. He took drastic action. He may have made mistakes—among those he fired was Gen. Robert E. Wood, present president of Sears, Roebuck—but he made the company a

Carson Pirie Scott—Underwood

Sewell Avery—*The new chairman of Montgomery Ward will concentrate on organization*

unit and put it on the road to somewhere again.

The Merseles-Everitt decade of Ward history was a period of exceedingly rapid changes to adjust the company to speedily changing conditions. Each year good roads, automobiles, and the sophistication of farmer customers were making the mail order business tougher. The company went into the chain store business aggressively. More than half a thousand retail outlets were in operation by 1929. Store sales grew until they exceeded mail sales.

Problems to Order

Such speedy building in a new field created acute organization problems. New stores were acquired faster than they were digested. Then along came the big crash to add to the difficulty of digestion.

Merseles was gone. Everitt was in charge, responsible to a board of directors made up of outsiders without first-hand knowledge of the problems he faced. (His main competitor, Sears, Roebuck, has only 2 directors not actively in the business.) Friction developed. The breach was widened by Everitt's opposition to the much-proposed Sears merger.

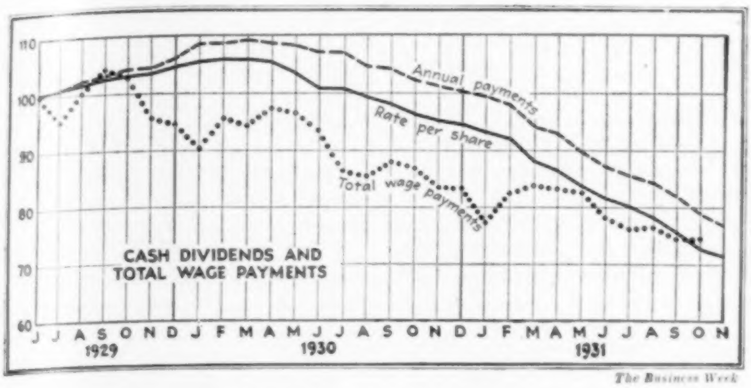
Lack of harmony at the top disturbed things down the line. Continuous merger talk made them worse. Ward department heads and their subordinates were worried over what would happen to their jobs if Sears took the concern over. Morale slumped.

One of Avery's first acts was to call officials together, tell them that the merger was all off and that they should forget all about it, that he was there not to wield an ax but to help men in the organization work together.

Both Kinds of Boss

Merseles and Everitt made a good team because they represent the 2 main types of executive, either of which is likely to get along better in cooperation with the other than by himself. Merseles who bothered little with details, circulated around, sat down in department offices and talked to his men, systematically developed good feeling by semi-social contacts inside his organization. Everitt, an operating executive, holds himself more aloof, receives and studies reports, issues orders, and presses a buzzer when he wants to talk to some one.

Observation of Sewell Avery's work to date leads to the conclusion that he is out to do the Merseles work of organization building. Everitt, as president, continues to handle the organization operating.



The Business Week

WAGES AND DIVIDENDS—*Labor is getting a larger share of business income. Figures on dividends: Moody's; on wages: Bureau of Labor Statistics*

"Stabilization Unemployment" Makes Prosser Report Timely

Program to ease technological displacement of men must consider management as well as machines

OF special significance to American business because it is the first comprehensive discussion of one of the most important problems which confronts industry, is the report which the Prosser Committee on Technological Unemployment has made to Secretary of Labor Doak.

Publication is particularly timely in this period when a pronounced trend toward employment stabilization is tending to aggravate technological unemployment. It is is too seldom recognized that, while stabilization in a single plant or industry is highly beneficial to that plant or industry and to its stabilized employees, the general unemployment situation is greatly aggravated thereby. Unstabilized industries provide part-time employment for many who, under stabilized conditions, would be entirely jobless.

Management's Place

Technological unemployment, caused by improved management methods, is currently a more important cause for displacement of labor than installation of labor-saving devices. As individual concerns continue to improve their competitive positions by adopting further stabilization measures, the general unemployment problem will grow more acute. Unless thorough studies of the subject are made and definite plans for coping with its problems evolved, some of the more depressing prophecies of our severest critics may come true.

The statement regarding the value of the Prosser report holds good even though the committee's chief conclusions are that there is no adequate information about technological unemployment; that the first step toward solving the problem must be the accumulation of data—wherefore it recommends the establishment of a nation- and industry-wide fact-finding organization under the Department of Labor to determine trends in the displacement of workers because of improved machines and methods.

While the committee testifies to its faith in the use of labor-saving devices and methods to advance human welfare, it insists that much more must be done to safeguard the worker who is sacrificed, at least temporarily, to the common good. Specifically, it recommends: (1) advance determination of the date on which a technological change will take place; (2) advance notification of workers to be affected by the change; (3) organized attempts to retrain and transfer affected workers to other jobs within the organization or without; (4) payment of dismissal compensation to those not so placed.

The suggested organization plan starts with local fact-finding bodies, builds up through states to a national agency which would be a centralized, policy-forming, correlating and coordinating repository for all employment and unemployment information.

To secure uniformity of measurement it recommends use of the Alford-Hannum kilo-man-hour method for compiling statistics, suggests that each employer should furnish number of man-hours worked, total number of workers, average number of workers, quantity of product output. Beginning this month the Bureau of Labor Statistics will collect data on actual man-hours from employers reporting to it monthly; the committee believes little trouble will be experienced in obtaining the remainder of the desired information.

Although the committee believes it futile to try to ascertain quantitatively whether the total number of opportunities for work is increasing or decreasing, it recommends studies to show the trend in each industry and to permit reasonably accurate forecasts of future employment needs.

Labor's Share of Business Income Is Now Going Up

EVIDENCE that has now become measurable indicates that a situation alleged to have been a major cause of depression is rapidly being rectified.

The trend of distribution of business income has been altered materially in the past few months. Labor is now receiving an appreciably larger proportion of that income than it apparently has for a number of years.

The chart on this page tells a part of the story. In this chart the amount of dividends paid by 600 leading concerns in June, 1929, is taken as a base, the total distributed in each subsequent month compared with that base. The same procedure is followed with monthly figures on wage payments as reported by the U. S. Bureau of Labor Statistics.

Wage Payments Greater

As the chart shows, dividend payments rose from June, 1929, to a peak coming in the early part of 1930. During this time, wage payments fell. After March, 1930, both wages and dividends fell. In recent months dividend payments have fallen with considerably greater rapidity than wage payments, until wages have just now risen higher in relation to dividends than in June, 1929. Unfortunately, figures are not available earlier than June, 1929.

The same development is encountered in a study of the amount of business earnings taken by capital but not paid to stockholders; i.e., held out as surplus. As shown in *The Business Week* (BW

—*Dec2'31*), surplus was drawn upon rather heavily during 1931.

Classical economics teaches that labor's share of business income goes to purchase consumer goods, and that capital's share is used for the purchase of capital goods further to increase productive capacity.

On that basis, corporation management has been charged with having been an important cause of the depression in that the management policy of the last decade has generally called for the payment of liberal dividends to stockholders, and the withholding of a considerable part of earnings as surplus to be used to increase capacity. This process went so far, critics charge, that consumers were unable to purchase the increased output and depression, caused by over-production, resulted.

If the critics' analysis is correct, the long swing in the other direction should work strongly for business recovery.

Low Wages Mean Low Standards Of Living, Not Low Costs

Survey shows that in 14 European cities workers have less buying power than those in Detroit

THAT low wages do not mean low costs but do bring low standards of living is the conclusion to be drawn from the comparative study of living costs in Detroit and 14 European cities just completed by the International Labor Office.

Cost of living in Europe is surprisingly high in view of the low wages paid. Compared with Detroit, taken as 100 for both wages and living costs, the average cost of living in the 14 cities is about 79 while the average of real wages—purchasing power of actual wages received—is but 62.

In each of the cities except Stockholm (104%), living costs were below those of Detroit, ranging down to 58% in Barcelona. In every city real wages were below the Detroit level. And the difference in real wages was greater than the difference in living costs. Despite its low living costs Barcelona pays the lowest real wages—40% of Detroit's. Rotterdam is highest of the 14 at 81%; other real wage indexes, on the Detroit base, are: Berlin 58; Copenhagen 79, Stockholm 65, Helsingfors 63, Paris 60, Marseilles 53, Antwerp 59, Warsaw 63.

Foreigners Are Thrifty

In current living standards the discrepancy between Detroit and the foreign cities is even greater than appears here because the average Detroit workman spends more than his income, saves nothing; while European workers save substantial portions voluntarily or in state insurance and pension plans.

Other differences in living habits between Detroit and European workmen made direct comparisons very hard, detract from the authenticity of the quantitative results of the study. The Detroiter finds modern mechanical and electrical conveniences necessary to his welfare; a considerable portion of his incomes goes for automobiles, radios, modern housing, bathrooms, and similar items. The European is chiefly interested in food, spends 40% of his income on it—including drinks; spends virtually nothing on modern gadgets, saves much.

Charged to Filene

The study was instigated by Sir Percival Perry, head of Ford's European activities, ostensibly to permit Ford's foreign employees to receive wages comparable to those paid in Detroit. It was financed by Edward A. Filene's Twentieth Century Fund.

Because of opposition of European employer members of the International Labor Office, the survey could not include wages although the Office is now engaged in another study of this subject. Wages used in above comparisons are taken from an independent study made by the Institute of Scientific Management; Detroit wages are based on 1932 rates, including the recent reduction from $7 to $6 a day, and are believed to represent the decline in Detroit living costs since 1929 when the study was made there. European studies were made during 1930 and 1931 and are representative of present conditions.

Germany to Treble Gasoline Production

EUROPEAN NEWS BUREAU—Prospectors last year discovered important crude oil deposits in Hanover province of Germany. German production of crude

jumped from 35,000 metric tons in 1920 to 170,000 in 1930, probably exceeded 300,000 in 1931.

Even 300,000 tons is a small share of Germany's requirements. Imports in 1930 exceeded 2,980,000 tons.

The rapid increase in production and the heavy dependence on foreign supply account for Germany's intense interest in the announcement of I. G. Farbenindustrie that it is about to treble its 100,000-metric-ton annual production of gasoline, that it will shift from synthetic production utilizing lignite tar to production from the growing domestic crude oil supply.

Crude oil requirements will be met by the Burbach potash company which has been particularly successful in drilling for oil at the bottom of its mines. Its production costs are unusually low.

Germany's Protective Margin

I.G. has another advantage on the domestic market. Until 1930, Germany had an import duty on gasoline of $1.50 per 100 kilograms. In April, 1930, this tax was raised to $2.50. At the same time, an "equalization tax" was levied on domestic production. Actually, the domestic tax did not equal the increase in the import duties, so German producers gained a "protective margin." This margin was further automatically increased when, in June, 1931, the import duty was raised to $4, this time without any further tax on domestic production.

When I.G.'s old agreement with the government expired recently, it became generally known how small the "equalization" tax actually was. Though it is slightly increased in the new agreement, for the sake of revenue, it is still far below the import duty and so offers heavy protection to Germany's much-coddled domestic gasoline production.

Fate of "Empire Currency" Is Tied to Empire Politics

Financiers' objections, Dominions' jealousy raise serious obstacles, but they are not insurmountable

EUROPEAN NEWS BUREAU—Since September, when the British pound went off the gold standard, agitation for a closer monetary relationship within the empire has received the support of varying groups. Business has been much interested in the idea of a common unit of currency, which might be called the "rex." Through an imperial central bank (also to be created) existing Dominion and British stocks of gold and silver would be converted into the new coin. It is not proposed that there be any change in the present coinage of any division of the empire, only that each have a common unit of backing.

A recent report by a joint committee of the Federation of British Industries and the Empire Economic Union has brought serious banking consideration, not all of it favorable, by any means.

Behind the "empire currency" idea is the conception of the British Empire as a single economic unit, with its own protective tariffs, its own currency, and its special Central Bank of Empire.

Several difficulties immediately occur when this concept is seriously considered. The British dominions are jealous of their nationhood. They have but recently (10 years ago) reached the status of sovereign states, have not yet shown any readiness to relinquish full autonomy over their fiscal and banking systems. The individual dominions have trading and financial relations with other countries which would make a transition from their own currency basis to a new imperial basis difficult and a matter of embarrassment.

Even those who support the movement as an aim for the future are not unanimous as to its real purpose. One group sees the possibility of an imperial exchange pool to be drained or filled at a fixed rate by various components of the empire as trade balances demand. This, with a common monetary system on a "sterling basis," would remove inter-empire exchange fluctuations and lessen the need for a preferential system of tariffs.

Another group sees the common currency system only as the natural complement to empire free trade with protection against the outer world.

Banking Problems

Technically, the creation of a Bank of Empire would present grave difficulties at this stage of England's financial history. Despite the recent calamities which London has had to endure, the whole weight of British policy is toward the restoration of the gold standard and the rehabilitation of London as the world's leading money market. This raises the question whether a second central bank could exist contemporaneously with the Bank of England without disturbing the delicate mechanism of the market, or, alternately, whether the Bank of England could add another

The Business Week

STANDARDS OF LIVING—*Examining a Detroit worker's outfit at the International Labor Office, Geneva, in a survey of Ford pay in foreign plants*

function to its already complicated constitution.

The difficulties are not insurmountable. Within the lifetime of the new British Parliament the empire may be provided with a written constitution. A series of imperial conferences held to explore the full implications of a new constitution might find it expedient to insist upon imperial coordination of banking and currency.

One decisive lesson has been learned by British statesmen from the crisis of 1931: that finance is only an extension of politics. If financiers have for centuries used politicians for their own ends, politicians can quite easily reverse the process, as France has freely demonstrated. With this in view, the project of an empire currency and an empire bank, and the dream of a self-sufficing empire economic unit cannot be entirely written off the slate of practical politics.

Far-sighted observers in Britain constantly remind themselves that the dominating factor in world politics sooner or later is going to be the Pacific seaboard. If the menace from the East is to draw together America, Canada, and Australia, it would be well for the empire to bind the dominions closer to Britain. An empire currency and banking system would be a strong tie.

These are remote considerations, but it is well to remember that high policy with its far sight may decide to support and encourage a development in imperial relationships which, on the short financial view, may seem troublesome and unnecessary, or even unworkable.

Germany Finds What Cut In Interest Rates Means

EUROPEAN NEWS BUREAU—So engrossed have Germans become in watching the race to cut retail prices to meet the terms of Herr Bruening's last emergency decree, promulgated Dec. 9, that many have failed to pay due attention to one of its highly important regulations (*BW—Dec16'31*).

Decreed: Interest on bonds, loans, mortgages, where it has been 8%, must be cut to 6%; where the rate has been higher than 8%, it must be reduced by from 25% to 50%. (This applies only to internal obligations.)

Last week, as the law became operative, the respected Institut für Konjunkturforschung (Institute for Business Research) issued a report, answered important questions which bankers have pondered.

Terse was the analysis, divided for convenience under 3 heads:

Agriculture: The total indebtedness of German agriculture has recently been estimated at \$3 billions, of which \$1.8 billions is in long-term debts. Total interest charges against German farmers is reduced by the decree from \$130 millions to \$104 millions, or by 20%.

Industry and Transportation: Industry, trade, and transportation derive considerably less advantage from the decree. Out of an annual interest charge on industrial bonds of \$73 millions, \$53 millions, or 72%, applied to foreign bonds not affected by the decree.

The annual interest charges on mortgage debts of German industrial concerns are estimated at about \$25 millions, but since no data are available regarding the average nominal rate of interest payable, no estimate of the effect of the reduction is possible.

Real Estate: Holders of real estate benefit to the amount of \$70 millions a year. "Old houses," those built before 1919, save 20% on annual interest charges, while on the "new houses" (built after 1929), the saving amounts to only 14%. The difference is due to the fact that out of the latter many were built with public mortgages (state and communal) with a nominal rate of interest generally considerably below the current rate for private mortgages.

While both mortgage credit banks and insurance companies will stand the reduction without any serious consequences (although insurance companies will probably have to cut dividends payable to the insured), savings banks seem to be severely hit by the reduction. Not less than 75% to 80% of their investments are in bonds (mortgage, state, communal) affected by the provisions of the decree. They claim that they will have to reduce the interest rate they pay on deposits. If they do this, a considerable part of the depositors may shift to general (commercial) banks whose short-term investments are less affected by the decree and which should be in a position to compete with savings banks by offering higher interest rates to depositors.

Business Abroad—Swift Survey Of the Week's Developments

World business cannot see beyond the Lausanne conference, scheduled for late January. On the results there, and reactions, hinge hopes of recovery. . . . England wants reparations and debts terminated or scaled down. . . . France adheres to the Young Plan emergency of a 2-year moratorium. . . . Germany wants to see the end of reparations. . . . Far Eastern prospects are again unsettled by the diplomatic incident in Manchuria. . . . Latin America is quietly gloomy. . . . Business is likely to remain dull through January.

Europe Awaits Conferences Without Much Confidence

EUROPEAN NEWS BUREAU (*Radio*)—The old year closed generally steady and distinguished by unusual ease on the principal money markets, even in Germany. The new year, however, opened with considerable irregularity, with activity almost at the vanishing point, and marked by the absence of any of the usual new year optimism.

Commodities are wobbly, with tin and rubber particularly weak due to less favorable statistical positions. Prospects for Anglo-Dutch agreement on rubber restriction are slight, and resumption of the sugar conference has again been postponed. It is rumored that Visp, the powerful Java Sugar Trust which handles sales for central Java sugar producers, may be dissolved. Dissolution would seriously unsettle markets.

Exchanges indicate somewhat greater strength in the Swedish and Finnish positions, but anti-sterling speculation has resumed due to skepticism over the success of the current British income tax drive and to the expectation of the early necessity for treasury borrowing resulting from currency deflation. Also, the outstanding £30 million Franco-American credits will mature Jan. 31.

Security markets started the year narrow and sagging, but midweek rumors of preliminary reparations accord caused a sudden sharp rally. Young bonds, especially in Paris, were up, due both to the reported extension of the standstill agreement and to expectations that at Lausanne the moratorium will be extended, thus increasing Germany's ability to service commercial and commercialized debts.

Beyond these immediate circumstances, which can hardly be called trends, the view any distance ahead is obstructed by the reparations and disarmament conferences. It is unlikely that the Lausanne meeting will get under way before the Berlin conferences on short-term debts are ended. Tuesday's report of the agreement that a 1-year extension of the standstill agreement has been reached in principle is not confirmed. Even given this agreement in principle, it does not reconcile divergences concerning rates of interest, and collateral security. Jan. 18, 20, and 25 are variously proposed for opening the Lausanne conference.

The British Treasury now favors deferring the conference altogether till after the French Parliamentary and German presidential elections, when political conditions which will obtain 6 months hence can be better established. There is faint hope of this.

Anglo-French Obstacles

Meanwhile, Anglo-French negotiations to consolidate their respective viewpoints appear to be making little progress. England favors a definite reparation scaledown or, failing that, a 5-year moratorium. France is reluctant to go beyond the 2-year moratorium provided in the Young Plan. It is reported they have considered a 3-year compromise, but later each is reported to have reverted to its original position on the question.

Throughout Europe there is no expectation whatsoever that either the Lausanne or the disarmament conferences can bring any fundamental change in the existing conditions. As far as reparations are concerned, it is generally taken for granted that there will be a moratorium for at least 2 years. If this is accomplished, it is scarcely probable that Congress would refuse a parallel suspension of war debts.

Contending Opinions

The breathing space thereby afforded is variously viewed. Some hold that any reconstruction of private credit is impossible till political obligations are definitely and satisfactorily adjusted. Others contend that the respite from political payments would permit at least partial adjustments and gradual economic recovery so that the international debt problem would be at least much less acute when, and if, the question of basic revision is resumed several years hence.

But uneasiness is everywhere entertained regarding the possible political consequences in Germany should Lausanne result in merely a moratorium—subtracting nothing from Germany's burden of "tribute," but instead adding a further eventual burden of indebtedness—and should Geneva offer no equalization of German with Allied armaments.

What Will France Do?

Germany, it is generally believed, is working steadily nearer to the moment of outright repudiation of Versailles and reparations. In such an eventuality, what will France do? Some believe she would no sooner repudiate war debts than other countries, but would annex the Saar and Ruhr basins as collateral against, or indemnification for, reparations—and at the same time take the opportunity to relieve herself of the gnawing fear that Germany will "come back" by reducing Germany to an agricultural country only, deprived of any seriously competitive industrial and military strength.

These melodramatic sequences are not stated as probabilities but amount to speculations contributing to European uneasiness. The French and German spring elections may mark the turning point. The present trend is toward, rather than away from, nationalism.

Austria's Credit Quandary

The Bank for International Settlements meeting on Jan. 11 will decide the further extension of Austria's $9 million credit. France advances the money under B.I.S. guarantee, and under the new condition that Austria refund to France the $3 millions of momentarily embargoed French commercial credits. The credit may ease Austria's present ultra-strained exchange position, but it now appears that only some radical and early, but scarcely likely, improvement in trade can avert an ultimate declaration of a transfer moratorium similar to that recently declared by Hungary. This would react chiefly on Germany, England, the United States, and the Balkan countries.

Meanwhile, Poland has followed the example of Turkey in decreeing drastic import restrictions in a new year order designed to protect currency from all eventualities. Germany particularly is hit by the restrictions.

Hungary is about to open negotiations with her foreign creditors to organize and regularize eventual repayment of debts now under the transfer moratorium.

Deflation Tightens Grip On French Business

Activity is receding; deflation continues. . . . Unemployment increases another 12%. . . . Tariff reactions moderating. . . . Press urges repatriation of French balances in U. S.

PARIS (*Radio*)—The new year already is marked by the continuation of the deflation cycle through which other countries already largely have passed but which got really under way in France only in the second half of 1931.

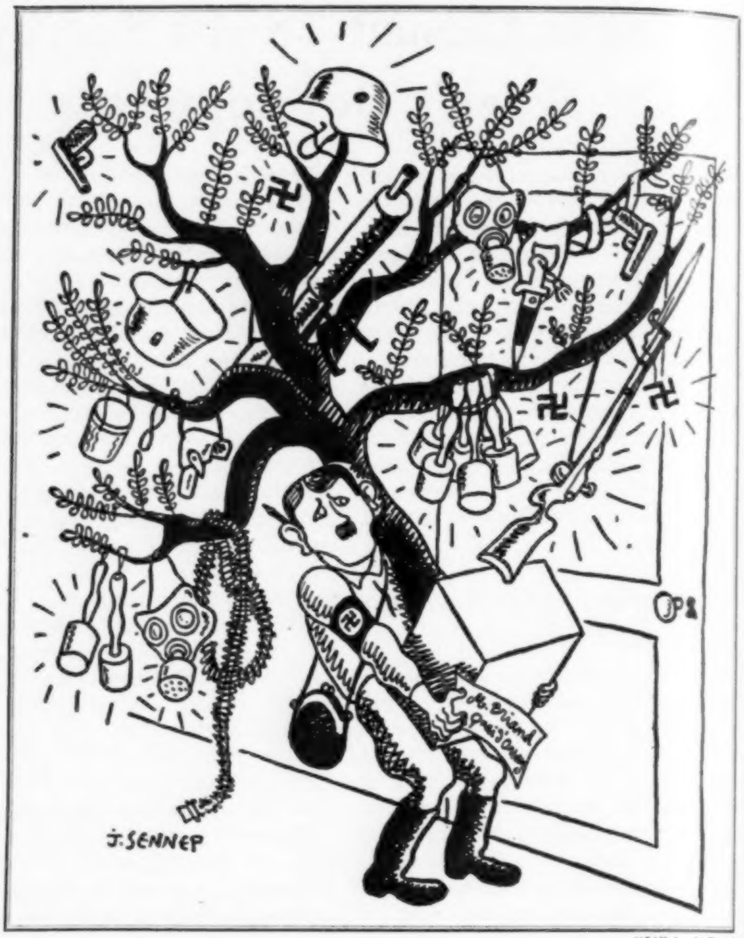
With the loss of competitive power in foreign trade resulting from internal price inflation, and aggravated by sterling depreciation and British tariffs; with prospects for the most unfavorable tourist year since the war; with declining revenues and rising expenditures and unemployment, the end of 1932 may find the French fiscal and international balance of payments in serious disequilibrium, with today's unprecedented gold hoards outflowing even more rapidly than they flowed in. Certainly economic pressure will bring further development to the already-building but incipient policies aimed at integrating France and its colonial empire in order to establish a broader self-contained economic foundation.

More Jobless in France

The year began with another 12% additional registered unemployment and with the announcement of wage cuts in the coal and textile industries, though the Paris Bourse has rallied back slightly to only 48% below last year's level. The recent tariff orgy has been modified with the exemption of sur-duties on a series of rawstuffs including corn, coffee, cottonseed oil, alimentary goods, non-ferrous metals, and a few other items. It is proposed that a quota of 400,000 tons of petroleum be added to last week's preferential trade agreement with Rumania. A $10 million credit to the Rumanian National Bank and a $4 million acceptance credit to the Rumanian state monopolies are now under negotiation. An exchange clearing agreement with Austria has been concluded.

Paris is showing interest in the attempts of the Franco-German committee for economic collaboration to work out a more efficient and economic schedule of operations for the commercial air lines of the 2 countries. There is already coordinated service between Paris and Berlin. Now the principal interest is in the South American services of the 2 countries. Three European air lines maintain regular service to South America.

In view of the possibility of a reparations moratorium which may cause a default on war debts, the French press is urging immediate repatriation of French balances in the United States.



"L'Echo de Paris"

"HAPPY NEW YEAR FROM ADOLPH"—*This is the way the French visualize Herr Hitler's sentiment: an olive tree trimmed with guns and grenades*

Political Crisis Faces Reich After Lausanne

Outlook more gloomy. . . . Hitlerites stake everything on Bruening failure to win "freedom" for Germany at Lausanne. . . . Manufacturers resist demands for price cuts. . . . Siemens wins big order for Dutch automatic telephones.

BERLIN (*Cable*)—With attention still riveted on the coming reparations conference and on the unfruitful Berlin "standstill" parleys, the business outlook for 1932 is gloomier than ever. After the expiration of the political truce during the Christmas holiday (imposed by decree) the Hitlerites are now preparing a decisive campaign, pinning all their hopes on Bruening's failure to win an "end of tribute" for Germany at the Lausanne conference.

The attempt of the Communists to make capital out of labor dissatisfaction over the new wage cuts by provoking strikes at the Hamburg docks, among shipping laborers, and in the Ruhr coal region has utterly failed. Labor is showing remarkable discipline in spite of the new privations imposed in the 15% or more wage cuts which have come since Dec. 9. Industrialists are agreeably surprised over the smoothness with which wage reductions were promulgated throughout the country.

On the other hand, price reduction is now meeting with growing resistance among manufacturers necessitating for the first time recourse to the government's special compulsory measures. Thus, the Medi-German lignite cartel has been dissolved for failure to reduce prices, while manufacturers of trade-marked articles, including drugs and

chocolate, prefer to relinquish retail price control rather than reduce wholesale prices.

The general agreement of the banks to lower interest charges is under way.

Current production trends are undeterminable owing to the prolonged holiday shutdown. The end of the year money market is strikingly easy, with the private discount below 7%, and the gold status of the Reichsbank balanced. The failure of Dortmund, western industrial center, to pay interest and salaries on Jan. 1 is indicative of the critical position of communal finance, shows that it has not been removed by the decree and will be the main financial concern of Chancellor Bruening in coming months.

Announcement of a large Siemens order for automatic telephones for Holland is hailed as the second score in the international field over I. T. & T. The same company recently won a large order from Montevideo, Uruguay, in an international competition for the business.

Britain Faces 1932 With "Qualified Optimism"

Business is quiet. . . . British increasingly uncompromising on demands for end of reparations. . . . Cotton stoppage still threatens. . . . Business supports dictatorial policy of government.

LONDON (*Cable*)—Business and the stock market as the year opens are quiet but there is some return of confidence largely due to the expectation that the Lausanne conference will result in an easing of the reparation burden with a forced scaling down or flat repudiation of war debts. At the preliminary conferences any Anglo-French agreement is denied by the British delegation. They will concur in a 3-year moratorium only as a second best plan. The United States' position is keenly realized but the British view—no reparations, no war debts—is regarded as hard realism.

Income tax payments for the first week in 1932 exceeded all expectations but there is still considerable doubt that the budget can be made to balance. There is every prospect of an underyield from this source, and almost surely there will be a diminishing yield from the excise.

Government departments are busy on scientific tariff measures, the outstanding difficulties being imports of wheat to be covered by the quota and the meat tariff. So far the committee has been unable to agree that it come in under a flat 10% duty or on a graded scale. The question is of vital importance because it is a serious threat to the Argentine where financial reactions would seriously affect British investments.

The cotton stoppage still threatens, due to the wages-hours disagreement. Owners are discussing details of a reorganization scheme, and owners and operatives are talking the more-loom system with little hope of eventual agreement. Thames lightermen are on strike against a reduction of 10d. a day, equal to 7%, holding up midstream unloading; dock and wharf stevedores are at work.

1931 Bank Figures

Clearing bank figures for 1931 are depressing, show a decrease of 16.8% at £36¼ millions, with the largest drop in the last quarter equal to 30.8%. The total is the lowest for 10 years. Country clearings declined 7.1% but in provincial centers there were some increases, notably in Bradford, the wool center, where they were up 17% for December against December, 1930.

Big business executives generally face 1932 in a mood of qualified optimism, insistent that the debts question is the key to recovery, gratified over the stability of internal purchasing power of the pound, and the steadiness of the public in the face of recurring crises. The National government is urged on all sides to use dictatorial powers to increase home production of consumables by war time methods (even if uneconomic), partly to strengthen the present good morale and partly because fears of a European crash in February are still present.

Two New Measures Affect Latin Foreign Trade

Uruguay meets commercial obligations. . . . Colombia revises tariffs. . . . Chile still unsettled; serious labor unrest. . . . No improvement in sight.

THE week has been quiet in Latin America.

Solitary cheer comes from Uruguay where the Deputies failed to pass the bill extending the country's moratorium on foreign commercial debts for another year (*BW—Jan6'32*). This leaves the old law intact, requires commercial debtors to make initial payments in January of 20% of the total of their foreign obligations, with similar monthly payments until May.

From Colombia comes news of a new tariff decree which lifts all the September import prohibitions excepting those on cigars. The same end is sought in the new decree which makes such heavy increases in duties on the old "prohibited" list that it has virtually the same effect. These increases amount to 100% on almost half of the 120 items, 200% on 24, 300% on furs and skins, 614% on phonographs, and 60% on cigarettes.

Automobiles with factory prices over $1,000, which were prohibited entry in the September decree, are now admitted on payment of an ad valorem duty of 10% on cars costing not more than $2,000 at factory, and 20% on higher-priced machines. The old tariff of 6% is raised to 8% on units costing less than $1,000.

There is no change in Chile's economic position, but the political situation continues unsettled. The government's financial position has not been relieved, and mining activities have been further reduced. Exchange is still under control. Manufacturing is dull. Farmers have benefited by the failure of the government credit institutions to press for payment of overdue obligations. Labor difficulties are acute. Business prospects are not good.

Four new South American bonds went into default on Jan. 1—representing issues from Brazil, Chile, and Colombia.

Manchurian Affair Enters "Diplomatic" Phase

Japan occupies Chinchow but military outlook in Manchuria is still unsettled. . . . Prices rise in Japan. . . . China and Japan buy American cotton. . . . Outlook clouded by new Manchurian developments.

FRESH diplomatic complications have renewed world interest in Manchuria. Unable through the League of Nations to bring about any curbing of Japanese ambitions, the United States, France, and Great Britain, worried by the threat that Japan will not stop its drive at the Great Wall, and fortified by threats to nationals residing in the Far East, may take a fresh stand on the basis of the 9-Power treaty. Diplomacy can readily make the Chamberlain affair a major incident if the government is ready now to proclaim its policy in the Far East.

Business in Japan meanwhile is undergoing some changes. Following yen depreciation, general commodity prices,

particularly foodstuffs, show marked advances. The rise in rice prices makes further government purchase improbable. Increased rayon yarn prices offset the decline in exchange, nullifying the anticipated export advantages.

Better Trade with Indies

Japanese economists have been studying foreign trade figures, anticipating effects of the lower exchange value of the yen. As pleasing to the Japanese as it is disquieting to the Dutch is the record of Japan's growing share in the imports of the Dutch East Indies.

Year	*Value Millions Guilders*	*% of total Indies Imports*
1926	82.17	9.6
1927	90.12	10.51
1928	93.68	9.88
1929	114.84	10.91
1930	100.12	12.01

Reports of Japanese imports of American cotton are striking. Between Aug. 1 and Dec. 21, imports totaled 867,000 bales of 500 pounds against 445,000 bales in the same period in 1930. Imports of Indian cotton goods in the same period were 146,000 bales against 337,000 bales in 1930. Japanese importers estimate shipments afloat from the United States exceed 400,000 bales. American cotton continues to grow in favor.

Shanghai, as the year closed, presented but little evidence of business depression. Since recession of flood waters, improvement in general trade is also evident in the mid-Yangtze region. Shanghai's building activity continues but the domestic bond market is at a low level, due partly to uncertainty in the domestic political situation, and to the military situation in Manchuria. China's imports of American raw cotton during 1931 were the greatest in history, and the outlook is promising for their continuation in the coming year.

More Freight in Manchuria

The Manchurian trading situation is unchanged. Freight loadings on the Chinese Eastern Railway during the first 25 days of November show a heavy increase over a year ago. Shipments of beans, bean cake, and bean meal, via Vladivostok, Manchouli, and Dairen, in the period Oct. 15 to Nov. 30, totaled 510,000 metric tons, compared with 215,000 in the similar period of last year.

South China trade is quiet. Several orders for American cotton yarn were placed in November, replacing yarn formerly supplied through Japanese sources.

The Figures of the Week And What They Mean

The downward trend of some of the major business indicators has not been reversed as the new year gets started on its uncertain career. . . . Steel operations took a modest upward turn. . . . Coal, building and electric power production felt the curtailment of general activity. . . . Carloadings and bank debits moved downward. . . . Currency circulation declined less than expected after the holiday trading. . . . Prices moved irregularly in dull markets. . . . The *Business Week* index reached a new low of 62.9% of normal compared with 64.4% the preceding week.

THE new year opened with steel operations as a whole only 2 points higher than during the preceding Christmas week, which is considerably less than usual. Consequently the adjusted index declined from 38% of normal to 30%.

According to the American Iron and Steel Institute, December steel production fell to 1,302,399 tons which represents an operating rate of only 23.6% of capacity compared with 30% in November and 38% a year ago. Total steel ingot production for the year 1931 amounted to 24,900,195 tons, a decline of 36.6% from 1931 and 54.2% from 1929. During 1931, the operating rate of all companies exceeded 50% of capacity only in the month of March, while in 1930 the rate fell below 50% only in the last quarter of the year.

Pig iron production for December fell below a million tons, and with the exception of 2 months in 1921 is the lowest since 1900. Only 56 furnaces were left in operation as the year began, a loss of 11 since Dec. 1. This total is said to be the lowest year-end figure of the present century and probably the lowest since the summer of 1894.

The slight change in operations in the past week was due to the small accumulation of orders for January shipment. The same cautiousness that has characterized consumers in the past few months continues, and the uncertainty of the price structure serves as an added incentive to careful ordering. Until a more definite sign of improvement in the general business situation becomes apparent, little change can be expected in steel. Some ordering by automotive and farm equipment concerns is helping to maintain the present level of operations. The results of the January show will indicate whether motor manufacturers are justified in increasing production schedules. December figures from a number of concerns have been surprisingly large, and the total for the industry is now placed around 110,000 units, a gain of 40,000 over the November output of the United States and Canada. Total output of motor vehicles in 1931 will not exceed 2,500,000 units, a decline of about 30% from the 3,510,178 units of 1930 and over 56% less than the 5,621,715 units of 1929.

Steel's Best Customers

Analyses of the important steel consumers during 1931 by both *Iron Age* and *Steel* place the building industry at the head of the list for the second consecutive year. The automotive industry came second and the railroad third.

	Latest Week	*Preceding Week*	*Year Ago*	*Five-Year Average 1926-1930*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*62.9	†64.4	79.1	......
Production				
Steel Ingot Operation (% of capacity)	22	20	36	65
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,330	$5,594	$9,344	$16,532
Bituminous Coal (daily average, 1,000 tons)	*1,080	†1,176	1,396	1,589
Electric Power (millions K.W.H.)	1,524	1,565	1,597	1,533
Trade				
Total Carloadings (daily average, 1,000 cars)	93	97	113	137
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	64	72	88
Check Payments (outside N. Y. City, millions)	$3,309	$4,042	$5,288	$5,260
Money in Circulation (daily average, millions)	$5,666	$5,727	$4,909	$4,936
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.51	$.51	$.69	$1.14
Cotton (middling, New York, lb.)	$.064	$.065	$.102	$.161
Iron and Steel (STEEL composite, ton)	$29.96	$30.16	$31.66	$35.35
Copper (electrolytic, f.o.b. refinery, lb.)	$.070	†$.070	$.102	$.143
All Commodities (Fisher's Index, 1926 = 100)	66.3	66.7	78.5	92.2
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,970	$1,992	$1,386	$1,568
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$20,532	$20,734	$22,956	$21,935
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,327	$7,386	$8,449	$8,857
Security Loans, Federal Reserve reporting member banks (millions)	$5,777	$5,733	$7,814	$7,223
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$568	$591	$1,879	$3,437
Stock Prices (average 100 stocks, Herald-Tribune)	$90.40	$90.57	$135.38	$150.64
Bond Prices (Dow, Jones, average 40 bonds)	$77.45	$76.37	$96.10	$96.37
Interest Rates—Call Loans (daily average, renewal)	3.1%	3%	3.1%	5.9%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾-4%	3¾-4%	2¼-3%	4.3%
Business Failures (Dun, number)	612	563	542	501

*Preliminary †Revised

While December marks a low point in the construction field, the closing days of the past month made a slightly better showing than the third week of December. Our adjusted index of all construction for the week ending Jan. 1 remains at 35% or normal.

Residential awards shrank sharply over the holiday period so that the decline in daily average compared with November will be somewhat greater than the 25% reported after the first 3 weeks of December. Non-residential contracts have shown steady increases since the beginning of the past month, so that the loss compared with November will be cut down considerably from the 32% of the first half of December. The volume of public works awards has gradually diminished from week to week, so that the 5.5% gain in the daily average compared with November that was apparent at the end of the first half of the past month is now turning to a decrease of approximately that amount. The aggregate of all contracts awarded during the month will fall below November.

Efforts to secure a 25%-30% reduction in wages for mechanics and laborers in the building trades of the New York area have thus far resulted in a deadlock. Unions have offered to accept a cut averaging 9%.

Bituminous Coal

Bituminous coal production during the week of Dec. 26 declined sharply due in part to the holidays. Our adjusted index fell to 51% of normal compared with 54% the preceding week. For the year 1931 through Dec. 26, bituminous production fell almost 19% behind the same period of 1930, 29% behind 1929. Contraction in industrial activity which has affected the consumption of coal by industries and the railroads is the major cause of the decline in coal production. The unseasonably warm weather of recent months has also been a factor in the declining demand for coal for domestic use.

Electric Power

Widespread curtailment of industrial operations during the week of Jan. 2 lowered demand for electric power. With allowance for this seasonal slump in production, our adjusted index moved slightly upward to 81% of normal compared with 80% the preceding week. Estimates for the year 1931 are expected to show about 5% decline in output from the preceding year, with something more than a 1% loss in revenues. Aggressive efforts of the electrical industry to stimulate the use of energy by the domestic consumer has aided in offsetting the sharp decline created by slackened industrial consumption.

Holidays accounted for the decline in carloadings to the lowest level of the post-war period. The 23% drop in the total of miscellaneous and less than carlot freight was in line with the decline of comparable weeks of other years, and less than in 1925 and 1924. The adjusted index of these 2 classifications gained one point to 64% of normal.

Comparisons of the various major groups of 1931 and 1930 through the week of Dec. 26 reveals that the severest decline took place in the shipments of ore (47.2%), while merchandise of less than carlot freight (10.1%) and livestock (9.3%) fared best. Grain shipments declined 10.4%, miscellaneous freight 21.4%, coal 17.6%, forest products 37.4%, and coke 32.9%. The decline of all freight during the year amounted to 18.8% compared with 1930 and 29.4% compared with 1929.

Check payments declined sharply during the week of Dec. 30, particularly in New York City and in the 131 smaller centers. Our adjusted index declined to 69% of normal compared with 74% the preceding week.

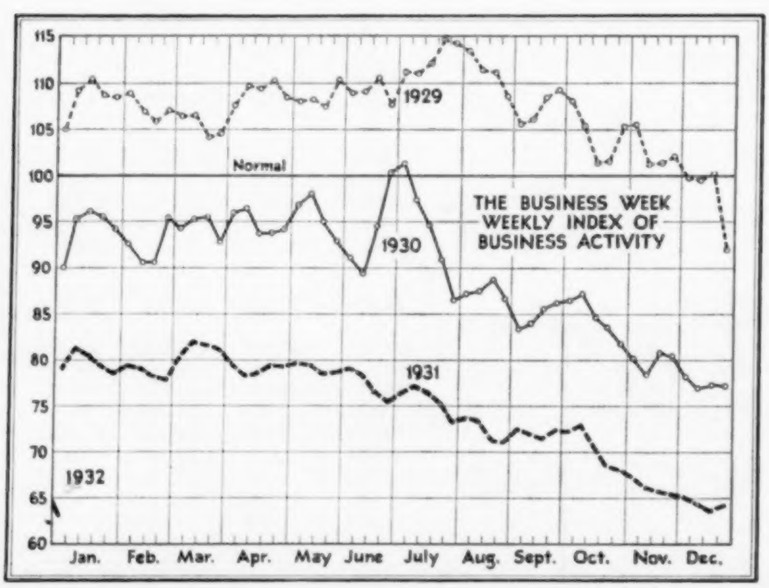
Currency circulation showed some return flow to the banks after the Christmas rush, but the amount was less than generally expected. Our adjusted index, therefore, took a sharp rise to 41% above normal compared with 34% above normal the preceding week. Preliminary data on bank closings during December indicate that over 300 banks were suspended, while the early days of January appear to show little improvement.

Commodity Prices

Holiday interruptions tended to slow up trading on commodity markets. Copper and lead prices were steady in spite of lack of buying interest. Zinc, tin and silver prices eased off. Wheat and corn prices sagged and rallied during the past week. Speculative trading on the Chicago Board of Trade in 1931 was the smallest since the records became available in 1921. Wheat sales were practically half the number of 1930. The Farm Board was the largest handler of cash wheat in Chicago and practically all other markets. Silk and cotton prices gained.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



Trends of the Markets In Money, Stocks, Bonds

Hoarding was resumed in large volume as a result of the new wave of bank failures. . . . Federal Reserve policy was unchanged and wholesale liquidation of credit continued. . . . Money rates eased in New York. . . . Stocks and bonds dropped to new lows, then rallied.

Hoarding Starts Again With New Bank Failures

A NEW large wave of hoarding became definitely evident this week as currency in circulation for the week ended Wednesday rose $28 millions. Seasonally there should have been a considerable decline as money returned to the banks after holiday usage.

This resumption of hoarding unquestionably resulted from the new series of heavy bank failures, hitting South Carolina and Connecticut especially hard. Some of the increase in currency doubtless went into bank tills in preparation for any runs which might develop, but such a large volume would hardly have been put to this usage.

Money rates did not reflect the development. The call rate dropped from 3½% to 2½% and the charge for federal funds declined. Other rates were unchanged. A considerable reinvestment demand was felt in the acceptance market, especially for short maturities, and the supply of new bills was inadequate to meet it, bringing a shrinkage in portfolios. Evidence points to a very heavy decline in the volume of bills. Rates were steady. The extreme liquidity revealed in year-end bank statements explains a concentration of funds in short-term markets making the supply somewhat impervious to such hoarding as has occurred this far.

Federal Reserve policy remained impassive despite the new turn of affairs. Member bank reserves which had piled up last week with the beginning of the return flow of currency were this week depleted to about the lowest level they have reached. This was, in part, due to the currency rise, but mostly to a reduction of Reserve credit. A large volume of borrowings was paid off, many bills matured and were paid. And, unsatisfied with this liquidation, the Reserve system sold $38 millions of government securities.

The reduction of member bank credit continued unabated and reached the lowest level thus far in the movement. Brokers' loans likewise dropped further with the market, off $23 millions for the week.

America's gold stock remained unchanged, income balancing outgo. The most interesting development was the receipt here of some of the large outflow of India's hoarded metal. This outflow has been in progress for about 6 weeks, but thus far Europe had absorbed it all. Most foreign exchanges were slightly weaker, though sterling held its own.

Stock Prices Just Sway in the Breeze

STOCK prices startled speculators by celebrating the New Year with a break through bottoms established in December. This is the first time that has been done in 35 years. Indications of an incisive new decline in general conditions, signalized by a set of serious bank failures, continued credit contraction, more municipal messiness, receivership for a public utility unit, and other unpleasant developments jolted the jumpy market. Wall Street also made disturbing deductions from President Hoover's hurry call to the House and Senate emphasizing the need for speedy action on the relief bills—and the market dropped promptly.

Rally from Lowest Low

However, before any of the doctors could write a report on the latest sinking spell or venture a prediction, the patient began to show new signs of life. The rally which followed furnished ample evidence of the very volatile state of prices and of Wall Street's current receptiveness to even the slightest

zephyr of encouragement from any source.

The improvement is explained by Washington's enhanced realization of the incentives it has for following Presidential urging, by the National Credit Corporation's new gesture of activity in its call for funds, by a rumor of rapprochement between London and Paris regarding reparations and debts, by the improved demand for German obligations, the year-end reinvestment demand, the railroads' encouragement over the Supreme Court decision annulling the I.C.C.'s grain rate reduction.

But a further sinking spell could have been as plausibly explained. Had that shown up in the stock symbols, apologists would have cited new declines in dividend declarations, clearer confession of the railroads' plight in the submission of several petitions for permission to pledge bonds in order to procure money, suspension of a stock exchange institution, and skepticism as to the outcome of the impending foreign conferences.

Except for Governments, Bond Changes Mean Little

BONDS dropped, then rose this week, but the rally was somewhat lacking in vigor except in the case of foreign issues. Most of the list is still at such low figures that small fluctuations have but little significance except as they indicate a halt in the decline. Certainly they mean nothing to the position of financial institutions with large bond investments. It is their position and the need of a considerable boost in bond prices that focusses attention on the bond market at present. The market's normal function of supplying new capital is almost completely inoperative.

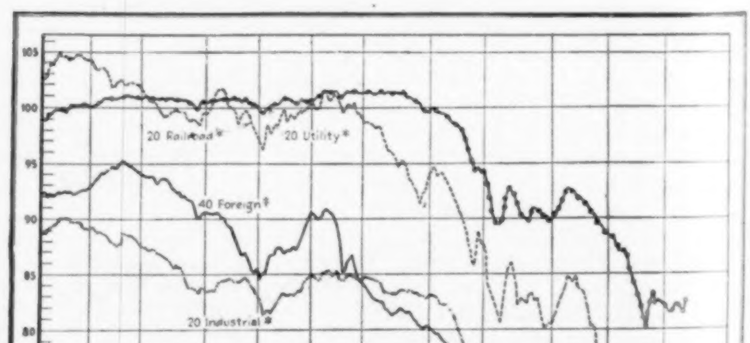
Strange Spectacle

The action of government obligations is a cause for especial concern at the moment. The week witnessed another bad break in their price, and, while they recovered a little ground, it was somewhat later than the rest of the list and with but little vigor. The spectacle of an average of all United States government long-term obligations selling about 94¢ on the dollar, with some at 82¢ or 83¢, attests the crying need for hurried action on the Treasury position.

Of course, these prices for governments compare with an average of about 85¢ on the dollar for a group of utilities, 68¢ for a group of rails and 65¢ for industrials, but that does not condone the governmental situation.

The weak financial position of local governments continues to stick out like a sore thumb and each week brings several additional instances of cases where bonds of such units cannot be sold at all as offerings receive no bids.

Strength in foreign bonds was especially notable in Germans this week. Reports that a considerable demand for them came from abroad and especially from France encouraged many and was interpreted as meaning that important progress decisions had been made in the international situation.



Wide Reading

The Bankers' Bankrupt World. J. M. Daiger. *Harpers,* January. Terse, vivid, non-technical summary of the foreign crises which have involved the United States in the world financial imbroglio. For the layman who wants a brief synopsis of the fateful events of 1931 which make 1932 most problematic.

The Collapse of Organized Labor. Louis Adamic. *Harper's,* January. Is the A. F. of L. on its deathbed? The outlook is gloomy, with many ideals not carried out.

Berkshire Knitting Mills. *Fortune,* January. Seven tales of a great adversary of the knitting union; a large industry which flourishes at Reading, Pa.

Patent Injustice. *World's Work,* January. Calendar of famous American patents; story of patent law.

The Basis of German Credit. Richard von Kuhlmann. *Foreign Affairs,* January. Germany cannot pay if world markets are closed to her. There is no reason for extreme pessimism if the moratorium and reparations are dealt with in a fair and sensible way.

The Effect of the British Tariff on American Manufactured Exports. R. Gordon Tench. *Export Advertiser,* December. By a British marketing counselor.

Wages Go Up in Russia. Louis Fischer. *Nation,* Jan. 6. First-hand facts concerning the progress of "communism" in Russia.

Twenty-Year Plans. W. B. Donham. *Mechanical Engineering,* January. Make emergency relief fit into long-term plans, and plan to meet new conditions rather than be forced to face them unprepared.

Stabilization. *American Machinist,* Dec. 31. Review of addresses by Virgil Jordan, James W. Hook, and Paul Mazur before A. S. M. E. Proposals which have met with wide acclaim from executives.

Prospects of Southern Textile Unionism. G. T. Schwenning. *Journal of Political Economy,* December. They are not good, due to special problems in the South. Story of organized labor in recent years with interpretation of trends.

BOOKS

This Tariff Question. Collin Brooks. Arnold (London), 7s. 6d. A sketch of tariff history with a critical commentary. (Mr. Brooks is the London correspondent of *The Business Week.*)

The Economics of American Business. Paul F. Gemmill. Harper, 489 pp., $4. Discussion of fundamental economic principles for the business man without formal economic training. Abundantly illustrated by example from everyday business life.

Mundy's Earning Power of Railroads 1931. Twenty-sixth Issue. Jas. H. Oliphant & Co., 1931, 751 pp. Latest edition of this handy guidebook to the earning power and securities of railroads. For investors.

Commodity Marketing. Ralph F. Breyer. McGraw-Hill, 477 pp., $4. Thorough analysis of marketing of coal, petroleum, iron and steel, tobacco, meat, cotton textiles, other non-agricultural commodities, and the electric and telephone services.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

January 13, 1932

Speed, Speed!

THIS is written more than four weeks after Congress assembled and received from the President a series of proposals to cope with the domestic business and financial situation. None of these plans has as yet been put into operation. The interval has been consumed chiefly in discussing and cussing an already accomplished fact—the war debt moratorium. The remainder went into the usual Christmas recess in which as a nation we wished ourselves a Happy New Year but wasted ten days doing nothing to make it one.

We realize that Congress is a busy body—and this is not intended as a pun about its passion for investigating things. It has acted about as speedily as it usually does under ordinary conditions. But these are not ordinary conditions. In face of the situation that confronts us, unusual speed is imperative. Even the President has taken the extraordinary step of pointing this out to Congress in a special message eloquent in its understatement of the necessity of prompt action on his proposals.

He suggested the simile of war in urging speed and decision. This is no mere figure of speech. We are at war, against an enemy far more insidious, dangerous, and powerful than any we have ever faced with flying flags, blaring bands, Liberty Loan drives, and conscription. But the demoralization of business confidence, the paralysis of credit caused by a prolonged depression cannot be met by the enthusiastic mobilization of a patriotic public. It only drives each of us more deeply into individualistic acts of self-protection aroused by fear.

The enemy this time is within, not outside the nation. It is an epidemic, not an invasion. The only agency that can cope with it is the supreme authority of Congress. Upon it alone the responsibility rests to strengthen the fundamental financial structure upon which business confidence is based, to check the inroads of devastating deflation which are undermining both. To this end it must act exactly as though any other more tangible enemy were at the gate, and mobilize the unused internal resources of the nation where private cooperative effort has failed through fear.

Congress, of course, clearly realizes that the President's specific proposals for this purpose are certainly not subjects for partisan political strategy. But perhaps it does not appreciate that they are likewise not mere legislative suggestions submitted for leisurely parliamentary consideration. They are in essence a declaration of war, mobilization orders of a chief executive who in any other war than this one would be acting as commander-in-chief of the armed forces of the nation.

As such, and in a war like this, he cannot be expected to expose either to Congress or to the public too much of the information he has about the position and strength of the enemy, or about our own weaknesses. He can only count on Congress likewise to act as though we were at war, and to equip him with those weapons—like those we forged 15 years ago—which will enable us to win it.

These weapons, especially the Reconstruction Finance Corporation—which is the Big Bertha of our next line of defense—will by no means exhaust our national resources for self-protection. There are others in reserve; but neither the President nor Congress would want to use them nor would the public want them used unless all that we can do along this line should prove inadequate.

There is no reason to believe it will if it is done with sufficient speed and decision. Delay is the only thing that can defeat us in this offensive. We have the marching orders and the means to meet the enemy. What we most need is to get our forces to the front. Congress is in command.

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